

CASE

NUMBER:

99-084

INDEX FOR CASE: 99-084
HICKORY WATER DISTRICT
Construct, Rates, Financing
1998 INDUSTRIAL PARK WATER SYSTEM

IN THE MATTER OF THE APPLICATION FOR (1) ISSUANCE OF A
CERTIFICATE OF PUBLIC AND NECESSITY FOR CONSTRUCTION OF THE
1998 INDUSTRIAL PARK WATER SYSTEM IMPROVEMENTS; (2)
AUTHORIZATION TO BORROW \$528,000 FROM KENTUCKY
INFRASTRUCTURE AUTHORITY; AND (3) AUTHORIZATION TO RAISE
RATES TO PAY FOR THE ADDITIONAL INDEBTEDNESS

SEQ NBR	ENTRY DATE	REMARKS
0001	03/10/99	Application.
0002	03/11/99	Acknowledgement letter.
M0001	03/12/99	ROD MARTIN HICKORY WD-AMENDMENT TO APPLICATION
M0002	03/15/99	ROD MARTIN / HICKORY WATER DISTRICT-CORRECTED EXHIBITS D1, E3, H1, H3 AND H4
0003	04/07/99	Def. letter, info due 4/22
M0003	04/15/99	ROD MARTIN HICKORY WD-RESPONSE TO FILING DEFICIENCIES
M0004	04/22/99	ROD MARTIN HICKORY WD-RESPONSE TO FILING DEFICIENCIES
0004	04/23/99	Deficiency cured letter.
M0005	04/26/99	ROD MARTIN HICKORY WD-COMPLETE SET OF ENG REPORT WITH STAMP
0005	05/14/99	Interim Order on construction and financing.
0006	06/17/99	Staff Report Order; comments or request for hearing due 6/28/99.
M0006	06/25/99	ROBERT SULLIVAN HICKORY WD-REQUEST FOR INFORMAL CONFERENCE
0007	07/02/99	Order scheduling 7/6 informal conference
0008	07/07/99	Informal conference memo sent, any comments due within 5 days of receipt.
M0007	07/16/99	ROBERT SULLIVAN HICKORY WD-REQUEST FOR PSC TO CONSIDER SEVEN BLOCK STRUCTURE
M0008	09/02/99	ROBERT SULLIVAN HICKORY WD-REQUEST FOR STAFF SUPPORT IN PROPOSAL
0009	10/05/99	FINAL ORDER; DENIES PROPOSED RATES



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION

730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

CERTIFICATE OF SERVICE

RE: Case No. 99-084
HICKORY WATER DISTRICT

I, Stephanie Bell, Secretary of the Public Service Commission, hereby certify that the enclosed attested copy of the Commission's Order in the above case was served upon the following by U.S. Mail on October 5, 1999.

See attached parties of record.

Stephanie D. Bell

Secretary of the Commission

SB/sa
Enclosure

Honorable Gayle B. Robbins
Attorney at Law
101 South 7th Street
Mayfield, KY. 42066

Kentucky Infrastructure Authority
261 Capitol Annex
Frankfort, KY. 40601

Reed & Company, CPA
231 North 7th Street
Mayfield, KY. 42066

Attorney General
Utility Intervention & Rate Division
P. O. Box 2000
Frankfort, KY. 40601

Mr. Robert H. Sullivan
Chairman
Hickory Water District
P. O. Box 128
Hickory, KY. 42051

Mr. Rod H. Martin
Hunter Martin & Associates, Inc.
3220 Lone Oak Road
Paducah, KY. 42003

Brad Davis
Purchase Area Development District
1002 Medical Drive
Mayfield, KY. 42066

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF THE HICKORY WATER)
DISTRICT FOR (1) ISSUANCE OF A CERTIFICATE)
OF CONVENIENCE AND NECESSITY FOR)
CONSTRUCTION OF THE 1998 INDUSTRIAL PARK)
WATER SYSTEM IMPROVEMENTS; (2))
AUTHORIZATION TO BORROW \$528,000 FROM)
KENTUCKY INFRASTRUCTURE AUTHORITY; AND)
(3) AUTHORIZATION TO RAISE RATES TO PAY)
FOR THE ADDITIONAL INDEBTEDNESS)

CASE NO. 99-084

ORDER

On April 15, 1999, Hickory Water District ("Hickory") filed an application with the Public Service Commission ("Commission") for a Certificate of Public Convenience and Necessity to construct a \$1,090,000 waterworks improvement project, for approval of its plan to finance the project, and to increase rates for water service to produce annual operating revenues from water sales of \$324,157. On May 14, 1999, the Commission issued an Order approving the proposed construction and financing plan. The Commission deferred ruling on the proposed rates until Commission Staff ("Staff") had performed a review of Hickory's financial condition.

To perform its review Staff conducted a field inspection of Hickory's books and records. After completion of the review, Staff summarized its findings and recommendations in a Staff Report that was issued on June 17, 1999. In its report Staff agreed that \$324,157 in annual water sales revenue was sufficient for Hickory to operate; however, Staff's cost-of-service study revealed that Hickory's proposed rate structure was not cost based and needed adjusting. Staff formulated cost-based rates

and recommended their approval in its report. All parties of record were given 10 days to comment on the report or request a hearing or informal conference.

Pursuant to Hickory's request, a telephone conference between Staff and representatives of Hickory was held on July 6, 1999. During the conference Hickory stated that it had concerns with Staff's recommended rate structure. In particular, Hickory was concerned that the proposed rate structure placed an inordinate financial burden on low and high end users. Hickory was instructed to submit its comments to the Commission in written form.

Hickory submitted its written comments to the Commission on July 16, 1999. Hickory explained that Staff's proposed rates would increase the first and last rate blocks 42 and 123 percent, respectively. Hickory concurred that the rates approved in this case should be cost based but stated that the percentage increases in these rate blocks would adversely affect fixed income customers and economic growth in the area. Hickory's position is that a more gradual transition should be made from its current rate structure to cost-based rates. Hickory requested that, when approving final rates in this case, the Commission maintain its current seven-step rate structure and adjust the first and last steps to accommodate the low and high end users.

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that:

1. The revenue required from rates as requested by Hickory and recommended by Staff of \$324,157 is reasonable and the appropriate amount of revenue to be generated from the rates approved herein.

2. The cost-of-service study included in the Staff Report is appropriate and properly reflects Hickory's cost of service.

3. The rates recommended in the Staff Report are cost based, while those requested by Hickory are not.

4. The rates approved in this case should be cost based; however, the transition to cost-based rates should be made gradually to avoid customer rate shock.

5. The rates set out in Appendix A, which is attached hereto and incorporated herein, will produce \$324,157 in annual operating revenues while maintaining Hickory's current seven-step rate structure. These rates are not entirely cost based but are more in line with Staff's cost-of-service study than those proposed by Hickory and will minimize rate shock.

IT IS THEREFORE ORDERED that:

1. The rates proposed in Hickory's application and recommended in Staff's report are hereby denied.

2. The rates set out in Appendix A are approved for services rendered by Hickory on and after the date of this Order.

3. Within 30 days of the date of this Order, Hickory shall file with the Commission its revised tariff setting out the rates approved herein.

4. Three years from the date of this Order, Hickory shall file an income statement, along with any pro forma adjustments, in sufficient detail to demonstrate that the rates approved herein are sufficient to meet its operating expenses and annual debt service requirements.

Done at Frankfort, Kentucky, this 5th day of October, 1999.

By the Commission

ATTEST:


Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 99-084 DATED OCTOBER 5, 1999

The following rates and charges are prescribed for the customers in the area served by Hickory Water District. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of the Commission prior to the effective date of this Order.

Monthly Water Rates

3 /4 Inch Meter

First	2,000 gallons	\$8.55	Minimum bill
Next	3,000 gallons	2.90	per 1,000 gallons
Next	5,000 gallons	2.70	per 1,000 gallons
Next	10,000 gallons	2.50	per 1,000 gallons
Next	30,000 gallons	1.80	per 1,000 gallons
Next	50,000 gallons	1.50	per 1,000 gallons
Over	100,000 gallons	1.25	per 1,000 gallons

1 Inch Meter

First	6,000 gallons	\$19.95	Minimum bill
Next	4,000 gallons	2.70	per 1,000 gallons
Next	10,000 gallons	2.50	per 1,000 gallons
Next	30,000 gallons	1.80	per 1,000 gallons
Next	50,000 gallons	1.50	per 1,000 gallons
Over	100,000 gallons	1.25	per 1,000 gallons

1-1/2 Inch Meter

First	7,500 gallons	\$24.00	Minimum bill
Next	2,500 gallons	2.70	per 1,000 gallons
Next	10,000 gallons	2.50	per 1,000 gallons
Next	30,000 gallons	1.80	per 1,000 gallons
Next	50,000 gallons	1.50	per 1,000 gallons
Over	100,000 gallons	1.25	per 1,000 gallons

2 Inch Meter

First	15,000 gallons	\$43.25	Minimum bill
Next	5,000 gallons	2.50	per 1,000 gallons
Next	30,000 gallons	1.80	per 1,000 gallons
Next	50,000 gallons	1.50	per 1,000 gallons
Over	100,000 gallons	1.25	per 1,000 gallons

3 and 4 Inch Meters

First	100,000 gallons	\$184.75	Minimum bill
Over	100,000 gallons	1.25	per 1,000 gallons

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HICKORY WATER DISTRICT
P. O. Box 128
Hickory, Kentucky 42051

August 31, 1999

Ms. Renee Curry
Public Service Commission
730 Schenkel Lane
P.O. Box 615
Frankfort, Kentucky 40601

RECEIVED
SEP 02 1999
PUBLIC SERVICE
COMMISSION

Dear Ms. Curry

RE: HICKORY WATER DISTRICT - Case No. 99-084

Confirming our phone discussion last week, we are still concerned about the PSC staff's recommended minimum rate for minimum water users. We have a number of seniors in our district who are on fixed income who use only 500 to 1,000 gallons of water per month, yet we are impacting their water bill with a proposed 36.92% increase, which we feel is excessive for the minimum user.

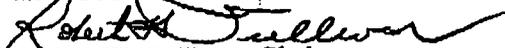
We are sure that the Public the Service Commission is concerned as we, about providing quality water at reasonable rates and simultaneously maintaining an efficient water district for today and the future. As such, we are enclosing our second recommendation with a proposed minimum water rate of \$8.40 per month with minor adjustments to the total rate structure which in total will generate annual income equal or greater than the staff's alternate rate schedule. Incidentally, in preparing our draft and comparing your last draft there appears to be some discrepancy in total income generated by your recommendation. It appears that it generated more annual income than required.

As discussed in our correspondence dated July 13, 1999 to Ms. Helton, the District's 1966 Bond Issue will be paid off in the year 2006 thereby reducing our annual debt service by approximately \$54, 000. We feel consideration should be given to this debt service reduction in our rate proposal.

In summary, we are soliciting the staff's support in this proposal because we feel it more closely represents the best interest of our customers, the district and the PSC.

Sincerely yours,

HICKORY WATER DISTRICT


Robert H. Sullivan, Chairman

2-13

			PSC's First Rate		PSC's Second Rate		District's Second Rate	
3/4"	Customers	Usage						
Minimum	14,115	23,652,090	\$9.24	\$130,422.60	\$8.90	\$125,623.50	\$8.40	\$118,566.00
2,000-5,000		22,498,900	\$2.41	\$54,222.35	\$2.90	\$65,246.81	\$3.00	\$67,496.70
5,000-10,000		13,428,100	\$2.41	\$32,361.72	\$2.70	\$36,255.87	\$2.70	\$36,255.87
10,000-20,000		6,044,180	\$1.98	\$11,967.48	\$2.50	\$15,110.45	\$2.50	\$15,110.45
20,000-50,000		3,143,400	\$1.98	\$6,223.93	\$1.80	\$5,658.12	\$1.80	\$5,658.12
50,000-100,000		771,200	\$1.98	\$1,526.98	\$1.50	\$1,156.80	\$1.50	\$1,156.80
Over 100,000		520,300	\$1.56	\$811.67	\$1.25	\$650.38	\$1.25	\$650.38
				<u>\$237,536.72</u>		<u>\$249,701.93</u>		<u>\$244,894.32</u>
1"								
Minimum	139	475,400	\$18.88	\$2,624.32	\$20.30	\$2,821.70	\$20.10	\$2,793.90
6,000-10,000		208,000	\$2.41	\$501.28	\$2.70	\$561.60	\$2.70	\$561.60
10,000-20,000		342,000	\$1.98	\$677.16	\$2.50	\$855.00	\$2.50	\$855.00
20,000-50,000		557,700	\$1.98	\$1,104.25	\$1.80	\$1,003.86	\$1.80	\$1,003.86
50,000-100,000		456,300	\$1.98	\$903.47	\$1.50	\$684.45	\$1.50	\$684.45
Over 100,000		790,400	\$1.56	\$1,233.02	\$1.25	\$988.00	\$1.25	\$988.00
				<u>\$7,043.50</u>		<u>\$6,914.61</u>		<u>\$6,886.81</u>
1-1/2"								
Minimum	92	587,000	\$22.50	\$2,069.54	\$24.35	\$2,240.20	\$24.15	\$2,221.80
7,500-10,000		174,700	\$2.41	\$421.03	\$2.70	\$471.69	\$2.70	\$471.69
10,000-20,000		653,900	\$1.98	\$1,294.72	\$2.50	\$1,634.75	\$2.50	\$1,634.75
20,000-50,000		1,396,700	\$1.98	\$2,765.47	\$1.80	\$2,514.06	\$1.80	\$2,514.06
50,000-100,000		1,006,000	\$1.98	\$1,991.88	\$1.50	\$1,509.00	\$1.50	\$1,509.00
Over 100,000		872,900	\$1.56	\$1,361.72	\$1.25	\$1,091.13	\$1.25	\$1,091.13
				<u>\$9,904.36</u>		<u>\$9,460.83</u>		<u>\$9,442.43</u>
2"								
Minimum	134	1,270,300	\$38.42	\$5,148.28	\$43.60	\$5,842.40	\$43.40	\$5,815.60
15,000-20,000		351,700	\$1.98	\$696.37	\$2.50	\$879.25	\$2.50	\$879.25
20,000-50,000		1,819,000	\$1.98	\$3,601.62	\$1.80	\$3,274.20	\$1.80	\$3,274.20
50,000-100,000		2,278,500	\$1.98	\$4,511.43	\$1.50	\$3,417.75	\$1.50	\$3,417.75
Over 100,000		7,132,900	\$1.56	\$11,127.32	\$1.25	\$8,916.13	\$1.25	\$8,916.13
				<u>\$25,085.02</u>		<u>\$22,329.73</u>		<u>\$22,302.93</u>
3" - 4"								
Minimum	59	4,626,300	\$206.72	\$12,196.48	\$185.10	\$10,920.90	\$184.90	\$10,909.10
Over 100,000		24,005,400	\$1.56	\$37,448.42	\$1.25	\$30,006.75	\$1.25	\$30,006.75
				<u>\$49,644.90</u>		<u>\$40,927.65</u>		<u>\$40,915.85</u>
TOTAL	14,539			\$329,214.51		\$329,334.74		\$324,442.33

Minimum	14,539	30,611,090	As Shown	\$152,461.22	As Shown	\$147,448.70	As Shown	\$140,306.40
2,000-5,000		22,498,900	\$2.41	\$54,222.35	\$2.90	\$65,246.81	\$3.00	\$67,496.70
5,000-10,000		13,810,800	\$2.41	\$33,284.03	\$2.70	\$37,289.16	\$2.70	\$37,289.16
10,000-20,000		7,391,780	\$1.98	\$14,635.72	\$2.50	\$18,479.45	\$2.50	\$18,479.45
20,000-50,000		6,916,800	\$1.98	\$13,695.26	\$1.80	\$12,450.24	\$1.80	\$12,450.24
50,000-100,000		4,512,000	\$1.98	\$8,933.76	\$1.50	\$6,768.00	\$1.50	\$6,768.00
Over 100,000		33,321,900	\$1.56	\$51,982.16	\$1.25	\$41,652.38	\$1.25	\$41,652.38
		<u>119,063,270</u>		<u>\$329,214.51</u>		<u>\$329,334.74</u>		<u>\$324,442.33</u>
REQUIRED REVENUE (PER PSC)				\$324,157.00		\$324,157.00		\$324,157.00

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HICKORY WATER DISTRICT

8/30/99

Analysis Of Rate Increase

RATE STRUCTURE					District's Proposal		PSC's Proposal		
Bracket	Usage	Existing	District Proposal #2	PSC Proposal #2	Min.	Increase	Percent	Increase	Percent
						\$ 1.90	29.23%	\$ 2.40	36.92%
Bracket 1	0 To 2,000 Gals.	\$ 6.50	\$ 8.40	\$ 8.90	Min.	\$ 1.90	29.23%	\$ 2.40	36.92%
Bracket 2	2,001 To 5,000 Gals.	\$ 2.70	\$ 3.00	\$ 2.90	Per 1,000 Gals.	\$ 0.30	11.11%	\$ 0.20	7.41%
Bracket 3	5,001 To 10,000 Gals.	\$ 2.00	\$ 2.70	\$ 2.70	Per 1,000 Gals.	\$ 0.70	35.00%	\$ 0.70	35.00%
Bracket 4	10,001 To 20,000 Gals.	\$ 1.65	\$ 2.50	\$ 2.50	Per 1,000 Gals.	\$ 0.85	51.52%	\$ 0.85	51.52%
Bracket 5	20,001 To 50,000 Gals.	\$ 1.20	\$ 1.80	\$ 1.80	Per 1,000 Gals.	\$ 0.60	50.00%	\$ 0.60	50.00%
Bracket 6	50,001 To 100,000 Gals.	\$ 0.85	\$ 1.85	\$ 1.50	Per 1,000 Gals.	\$ 1.00	117.65%	\$ 0.65	76.47%
Bracket 7	Over 100,000 Gals.	\$ 0.70	\$ 1.25	\$ 1.25	Per 1,000 Gals.	\$ 0.55	78.57%	\$ 0.55	78.57%

Usage		Monthly Bill			District's Proposal		PSC's Proposal		Amount Bill is or Increased or (Reduced) By PSC's Proposal
Existing	Proposed By District	Proposed By PSC	Increase	Percent	Increase	Percent			
Bracket 1	2,000 Gals.	\$ 6.50	\$ 8.40	\$ 8.90	\$ 1.90	29.23%	\$ 2.40	36.92%	\$ 0.50
Bracket 2	3,000 Gals.	\$ 9.20	\$ 11.40	\$ 11.80	\$ 2.20	23.91%	\$ 2.60	28.26%	\$ 0.40
Bracket 2	4,000 Gals.	\$ 11.90	\$ 14.40	\$ 14.70	\$ 2.50	21.01%	\$ 2.80	23.53%	\$ 0.30
Bracket 2	5,000 Gals.	\$ 14.60	\$ 17.40	\$ 17.60	\$ 2.80	19.18%	\$ 3.00	20.53%	\$ 0.20
Bracket 3	6,000 Gals.	\$ 16.60	\$ 20.10	\$ 20.30	\$ 3.50	21.08%	\$ 3.70	22.29%	\$ 0.20
Bracket 3	7,000 Gals.	\$ 18.60	\$ 22.80	\$ 23.00	\$ 4.20	22.58%	\$ 4.40	23.66%	\$ 0.20
Bracket 3	8,000 Gals.	\$ 20.60	\$ 25.50	\$ 25.70	\$ 4.90	23.79%	\$ 5.10	24.76%	\$ 0.20
Bracket 3	9,000 Gals.	\$ 22.60	\$ 28.20	\$ 28.40	\$ 5.60	24.78%	\$ 5.80	25.66%	\$ 0.20
Bracket 3	10,000 Gals.	\$ 24.60	\$ 30.90	\$ 31.10	\$ 6.30	25.61%	\$ 6.50	26.42%	\$ 0.20
Bracket 4	11,000 Gals.	\$ 26.25	\$ 33.40	\$ 33.60	\$ 7.15	27.24%	\$ 7.35	28.00%	\$ 0.20
Bracket 4	12,000 Gals.	\$ 27.90	\$ 35.90	\$ 36.10	\$ 8.00	28.67%	\$ 8.20	29.39%	\$ 0.20
Bracket 4	13,000 Gals.	\$ 29.55	\$ 38.40	\$ 38.60	\$ 8.85	29.95%	\$ 9.05	30.63%	\$ 0.20
Bracket 4	14,000 Gals.	\$ 31.20	\$ 40.90	\$ 41.10	\$ 9.70	31.09%	\$ 9.90	31.73%	\$ 0.20
Bracket 4	15,000 Gals.	\$ 32.85	\$ 43.40	\$ 43.60	\$ 10.55	32.12%	\$ 10.75	32.72%	\$ 0.20
Bracket 4	16,000 Gals.	\$ 34.50	\$ 45.90	\$ 46.10	\$ 11.40	33.04%	\$ 11.60	33.62%	\$ 0.20
Bracket 4	17,000 Gals.	\$ 36.15	\$ 48.40	\$ 48.60	\$ 12.25	33.89%	\$ 12.45	34.44%	\$ 0.20
Bracket 4	18,000 Gals.	\$ 37.80	\$ 50.90	\$ 51.10	\$ 13.10	34.66%	\$ 13.30	35.19%	\$ 0.20
Bracket 4	19,000 Gals.	\$ 39.45	\$ 53.40	\$ 53.60	\$ 13.95	35.36%	\$ 14.15	35.87%	\$ 0.20
Bracket 4	20,000 Gals.	\$ 41.10	\$ 55.90	\$ 56.10	\$ 14.80	36.01%	\$ 15.00	36.50%	\$ 0.20
Bracket 5	25,000 Gals.	\$ 47.10	\$ 64.90	\$ 65.10	\$ 17.80	37.79%	\$ 18.00	38.22%	\$ 0.20
Bracket 5	30,000 Gals.	\$ 53.10	\$ 73.90	\$ 74.10	\$ 20.80	39.17%	\$ 21.00	39.55%	\$ 0.20
Bracket 5	35,000 Gals.	\$ 59.10	\$ 82.90	\$ 83.10	\$ 23.80	40.27%	\$ 24.00	40.61%	\$ 0.20
Bracket 5	40,000 Gals.	\$ 65.10	\$ 91.90	\$ 92.10	\$ 26.80	41.17%	\$ 27.00	41.47%	\$ 0.20
Bracket 5	45,000 Gals.	\$ 71.10	\$ 100.90	\$ 101.10	\$ 29.80	41.91%	\$ 30.00	42.19%	\$ 0.20
Bracket 5	50,000 Gals.	\$ 77.10	\$ 109.90	\$ 110.10	\$ 32.80	42.54%	\$ 33.00	42.80%	\$ 0.20
Bracket 6	55,000 Gals.	\$ 83.15	\$ 117.40	\$ 117.60	\$ 36.05	44.31%	\$ 36.25	44.56%	\$ 0.20
Bracket 6	60,000 Gals.	\$ 85.60	\$ 124.90	\$ 125.10	\$ 39.30	45.91%	\$ 39.50	46.14%	\$ 0.20
Bracket 6	65,000 Gals.	\$ 89.85	\$ 132.40	\$ 132.60	\$ 42.55	47.36%	\$ 42.75	47.58%	\$ 0.20
Bracket 6	70,000 Gals.	\$ 94.10	\$ 139.90	\$ 140.10	\$ 45.80	48.67%	\$ 46.00	48.88%	\$ 0.20
Bracket 6	75,000 Gals.	\$ 98.35	\$ 147.40	\$ 147.60	\$ 49.05	49.87%	\$ 49.25	50.08%	\$ 0.20
Bracket 6	80,000 Gals.	\$ 102.60	\$ 154.90	\$ 155.10	\$ 52.30	50.97%	\$ 52.50	51.17%	\$ 0.20
Bracket 6	85,000 Gals.	\$ 106.85	\$ 162.40	\$ 162.60	\$ 55.55	51.99%	\$ 55.75	52.18%	\$ 0.20
Bracket 6	90,000 Gals.	\$ 111.10	\$ 169.90	\$ 170.10	\$ 58.80	52.93%	\$ 59.00	53.11%	\$ 0.20
Bracket 6	95,000 Gals.	\$ 115.35	\$ 177.40	\$ 177.60	\$ 62.05	53.79%	\$ 62.25	53.97%	\$ 0.20
Bracket 6	100,000 Gals.	\$ 119.60	\$ 184.90	\$ 185.10	\$ 65.30	54.60%	\$ 65.50	54.77%	\$ 0.20
Bracket 7	105,000 Gals.	\$ 123.10	\$ 233.65	\$ 233.85	\$ 130.55	106.05%	\$ 130.75	106.21%	\$ 0.20
Bracket 7	110,000 Gals.	\$ 126.60	\$ 259.90	\$ 260.10	\$ 133.30	105.29%	\$ 133.50	105.45%	\$ 0.20
Bracket 7	115,000 Gals.	\$ 130.10	\$ 266.15	\$ 266.35	\$ 136.05	104.57%	\$ 136.25	104.73%	\$ 0.20
Bracket 7	120,000 Gals.	\$ 133.60	\$ 272.40	\$ 272.60	\$ 138.80	103.89%	\$ 139.00	104.04%	\$ 0.20
Bracket 7	125,000 Gals.	\$ 137.10	\$ 278.65	\$ 278.85	\$ 141.55	103.25%	\$ 141.75	103.39%	\$ 0.20
Bracket 7	1450,000 Gals.	\$ 1,064.60	\$ 1,934.90	\$ 1,935.10	\$ 870.30	81.75%	\$ 870.50	81.77%	\$ 0.20

HICKORY WATER DISTRICT

P.O. BOX 128
HICKORY, KY 42051

July 13, 1999

Ms. Helen C. Helton, Executive Director
Public Service Commission
730 Schenkel Lane
P. O. Box 615
Frankfort, KY 40601

JUL 16 1999
PUBLIC SERVICE
COMMISSION

Dear Ms. Helton:

RE: HICKORY WATER DISTRICT - CASE NO. 99-084

Pursuant to an informal telephone conference, on July 6, 1999, between Hickory Water District and the Commission it is respectfully requested that Staff's recommended rate structure be modified. Specifically, the District believes that the first and last rate blocks are excessive for the following reasons:

1. The proposed rate represents a 42.2% increase for users in the first bracket (\$6.50 to \$9.24). The District's proposal represents an increase of approximately 21.5% (\$6.50 to \$7.90).

The proposed rate represents a 122.9% increase for users in the last bracket (\$0.70 to \$1.56). The District's proposal represents an increase of 42.9% (\$0.70 to \$1.00).

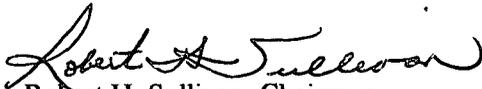
It is noted that both the District's and Staff's rate structures generate the same annual revenue.

2. The District concurs with Staff's argument that the rates should be on an actual Cost-Demand Basis. However, it has been customary throughout the District's history to assist fixed income customers by establishing a low minimum rate. Also, to promote economic growth the District has offered lower rates at the upper end of the rate schedule. This practice is used by several District's throughout the State and is referred as an accepted practice in AWWA's Manual M1.
3. As noted in previous submittals, the District's 1966 Bond Issue will be paid in the year 2006. This will reduce the annual debt service by approximately \$54,000.
4. The primary emphasis of the EDA grant is to promote economic growth in Graves County. Excessive increases for the large user is a deterrent to growth in the Industrial Park and is strongly objected to by leaders in the community.

The District believes that a more gradual transition from its current rate structure to a "Cost-Demand Rate Structure" will better serve the District and its customers. The District hereby request that the Commission consider maintaining the "seven block structure" and modify the first and last brackets to achieve the District's goals.

Yours very truly,

HICKORY WATER DISTRICT


Robert H. Sullivan, Chairman

RHS:RHM:as

cc: Parties of Record

HICKORY WATER DISTRICT
HICKORY, GRAVES CO., KY
PARTIES OF RECORD

July 13, 1999

Honorable Helen C. Helton, Executive Director
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Mr. Robert H. Sullivan, Chairman
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Mr. Rod H. Martin, P.E.
Hunter Martin & Associates, Inc.
3220 Lone Oak Road
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Brad Davis
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1002 Medical Drive
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COMMONWEALTH OF KENTUCKY
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Ronald B. McCloud, Secretary
Public Protection and
Regulation Cabinet

Helen Helton
Executive Director
Public Service Commission

Paul E. Patton
Governor

July 7, 1999

See Attached Service List

Re: Case No. 99-084
Hickory Water District

Gentlemen:

Attached is a copy of the memorandum which is being filed into the record of the above-referenced case. If you have any comments that you would like to make regarding the contents of the informal conference memorandum, please do so within five days of receipt of this letter. Should you have any questions regarding same, please contact William Willis at (502) 564-3940, Extension 253.

Sincerely,

Helen C. Helton

Helen C. Helton
Executive Director

Attachments



AN EQUAL OPPORTUNITY EMPLOYER M/F/D

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1002 Medical Drive
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INTRA-AGENCY MEMORANDUM
KENTUCKY PUBLIC SERVICE COMMISSION

TO: Case No. 99-084
FROM: William Willis, General Counsel *WJW*
DATE: July 6, 1999
RE: Hickory Water District, Case No. 99-084

Pursuant to a request of Hickory Water District, the Commission held an informal telephone conference on July 6, 1999. At the conference William Willis, Carryn Lee, Renee Curry, and Scott Lawless represented Commission Staff while Robert Sullivan, Chairman, Rod Martin, Engineer, and Tammy Warren, Accountant, represented the district.

During the conference Hickory's representatives expressed concern about the rate structure recommended in the Staff Report. Specifically, they felt that the first and last rate blocks were excessive. All parties agreed that Hickory shall file with the Commission written comments expressing its position on this matter no later than July 26, 1999.

cc: Parties of Record



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION

730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

July 2, 1999

To: All parties of record

RE: Case No. 99-084

We enclose one attested copy of the Commission's Order in
the above case.

Sincerely,


Stephanie Bell
Secretary of the Commission

SB/sa
Enclosure

Honorable Gayle B. Robbins
Attorney at Law
101 South 7th Street
Mayfield, KY 42066

Kentucky Infrastructure Authority
261 Capitol Annex
Frankfort, KY 40601

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Chairman
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Mr. Rod H. Martin
Hunter Martin & Associates, Inc.
3220 Lone Oak Road
Paducah, KY 42003

Brad Davis
Purchase Area Development District
1002 Medical Drive
Mayfield, KY 42066

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF HICKORY WATER)
DISTRICT FOR (1) ISSUANCE OF A CERTIFICATE)
OF PUBLIC CONVENIENCE AND NECESSITY FOR)
CONSTRUCTION OF THE 1998 INDUSTRIAL PARK)
WATER SYSTEM IMPROVEMENTS; (2))
AUTHORATION TO BORROW \$528,000 FROM)
KENTUCKY INFRASTRUCTURE AUTHORITY; AND)
(3) AUTHORIZATION TO RAISE RATES TO PAY)
THE ADDITIONAL INDEBTEDNESS)

CASE NO. 99-084

ORDER

Hickory Water District having moved for an informal conference in this matter and the Commission finding the motion should be granted and that a telephone conference should be conducted,

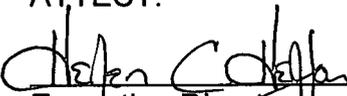
IT IS THEREFORE ORDERED that:

1. Hickory's motion for an informal conference is granted.
2. A telephone conference with the agreement of Hickory Water District shall be held in this matter on July 6, 1999 at 1:00 p.m., Eastern Time.
3. Commission Staff shall make the necessary arrangements for conducting this conference.

Done at Frankfort, Kentucky, this 2nd day of July, 1999.

ATTEST:

By the Commission



Executive Director

HICKORY WATER DISTRICT

P. O. BOX 128

HICKORY, KY. 42051

June 23, 1999

RECEIVED

JUN 23 1999

PSC
FINANCIAL ANALYSIS

Mr. Jack Scott Lawless, CPA
Financial Analyst, Water and Sewer
Revenue Requirements Branch
Division of Financial Analysis
Commonwealth of Kentucky
Public Service Commission
730 Schenkel Lane
Post Office Box 61
Frankfort, Kentucky 40602

RECEIVED

JUN 25 1999

PUBLIC SERVICE
COMMISSION

Re: Case No. 99-084

Dear Mr. Lawless:

Confirming our phone discussion this morning, we are requesting an informal conference as provided in your order dated June 17, 1999, to discuss the PSC staff's recommendation of allocation of proposed rate increases.

In addition, we are requesting a time extension beyond the ten (10) days as cited in the order to adequately address the above.

Sincerely yours,

HICKORY WATER DISTRICT

Board of Commissioners



Robert H. Sullivan, Chairman

cc: Mr. Brad Davis
Purchase Area Development

Mr. Rod H. Martin,
Hunter Martin & associates, Inc.

Mr. Gayle Robbins,
Attorney at Law

Ms. Tammy Warren
Reed & Company, CPA



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION

730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

June 17, 1999

To: All parties of record

RE: Case No. 99-084

We enclose one attested copy of the Commission's Order in
the above case.

Sincerely,

Stephanie Bell

Stephanie Bell
Secretary of the Commission

SB/hv
Enclosure

Honorable Gayle B. Robbins
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Mayfield, KY 42066

Kentucky Infrastructure Authority
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Chairman
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3220 Lone Oak Road
Paducah, KY 42003

Brad Davis
Purchase Area Development District
1002 Medical Drive
Mayfield, KY 42066

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF HICKORY WATER)
DISTRICT FOR (1) ISSUANCE OF A CERTIFICATE)
OF PUBLIC CONVENIENCE AND NECESSITY FOR)
CONSTRUCTION OF THE 1998 INDUSTRIAL PARK)
WATER SYSTEM IMPROVEMENTS; (2))
AUTHORIZATION TO BORROW \$528,000 FROM)
KENTUCKY INFRASTRUCTURE AUTHORITY; AND)
(3) AUTHORIZATION TO RAISE RATES TO PAY)
FOR THE ADDITIONAL INDEBTNESS)

CASE NO. 99-084

O R D E R

On April 15, 1999, Hickory Water District ("Hickory") filed its application for Commission approval of proposed water rates. Commission Staff, having performed a limited financial review of Hickory's operations, has prepared the attached Staff Report containing Staff's findings and recommendations regarding the proposed rates. All parties should review the report carefully and provide any written comments or requests for a hearing or informal conference no later than 10 days from the date of this Order.

IT IS THEREFORE ORDERED that all parties shall have no more than 10 days from the date of this Order to provide written comments regarding the attached Staff Report or requests for hearing or informal conference. If no request for a hearing or informal conference is received, this case will be submitted to the Commission for a decision.

Done at Frankfort, Kentucky, this 17th day of June, 1999.

By the Commission

ATTEST:


Executive Director

STAFF REPORT
ON
HICKORY WATER DISTRICT
CASE NO. 99-084

On March 10, 1999, the Public Service Commission ("Commission") received an application from Hickory Water District ("Hickory") requesting Commission authorization to construct certain system improvements, issue long-term debt, and adjust rates for water service. The application was considered filed on April 15, 1999, when all deficiencies were cured. On May 14, 1999, the Commission issued an interim order granting approval of the construction and financing; however, the request for rate adjustment was continued until further review could be performed.

In order to review the requested rates Commission Staff ("Staff") performed a limited financial review of Hickory's test year operations. The scope of Staff's review was limited to obtaining information as to whether the test period operating revenues and expenses were representative of normal operation. Insignificant or immaterial discrepancies were not pursued and are not addressed herein.

Hickory used the calendar year ending December 31, 1997, as the test year in its application. Staff is of the opinion that the most current and readily available financial information should be used as the test year in most rate case proceedings. At the time of Staff's field review the audit of Hickory's operations for the year ended December 31, 1998, had been completed. Therefore, Staff chose to use that twelve month period as the test year for its review.

Hickory's Pro Forma Operating Income Statement is included in this report as Attachment A. It shows normalized operating revenues to be \$252,759. According to Hickory's application its proposed rates would increase normalized operating revenues by \$85,039 to \$337,798. This exceeds the revenue requirement calculated by Hickory by \$12,081.

As a part of Staff's review a billing analysis was prepared for the year ended December 31, 1998. Staff's billing analysis included a 100 percent sample of test year billings. To determine the exact revenue to be generated from Hickory's proposed rates Staff applied the water usage information in its billing analysis to Hickory's proposed rates. This procedure indicated that Hickory's proposed rates would generate revenues in the amount of \$324,157. Staff considered this amount to be the revenue requirement requested by Hickory. A summary of this calculation is attached hereto as Attachment G.

Staff's Pro Forma Operating Income Statement and explanation of adjustments thereto are shown in Attachment B of this report. Based on Staff's revenue requirement calculation, Hickory could have justified operating revenues from rates of \$332,084. However, Staff recommends that Hickory's requested revenue of \$324,157 be granted since it will produce revenues sufficient to pay the immediate annual debt payments and pro forma cash expenses as delineated in Attachment B. A comparison of Hickory's and Staff's revenue requirement calculations is shown in Attachment C.

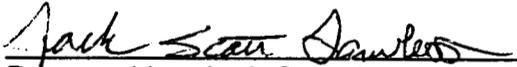
The rates listed in Attachment D will produce the recommended revenue and should be approved by this Commission. The recommended rates were determined using the cost of service study shown in Attachment E. Attachment F is a summary of

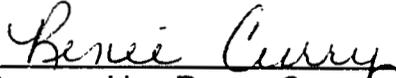
the billing analysis wherein normalized operating revenues at present rates were calculated.

Renee Curry is responsible for all revenue adjustments, the calculation of the recommended rates, the billing analysis, and the cost of service study. Scott Lawless is responsible for the determination of the revenue requirement. Based on the information contained in this report, Staff recommends that the rate proposed by Hickory be denied and the rates shown in Attachment D be approved for service.

If Hickory chooses to amend its application to reflect rates that will generate the revenue requirement calculated by Staff, it should do so when filing comments to this report. In the event that Hickory does request rates that differ from those previously noticed to its customers, it should be required to renotify its customers of the new proposed rates.

Signatures


Prepared by: Jack Scott Lawless, CPA
Financial Analyst, Water and Sewer
Revenue Requirements Branch
Division of Financial Analysis


Prepared by: Renee Curry
Rate Analyst, Communications, Water,
and Sewer Rate Design Branch
Division of Financial Analysis

ATTACHMENT A
 STAFF REPORT CASE NO. 99-084
 HICKORY'S REQUESTED OPERATIONS

	Test Year Ended 12/31/97	Adjustments	Pro forma Present Rates
Operating Revenue			
Water Sales	241,784	10,975	252,759
Other Operating Revenue	-		-
Total Operating Revenue	241,784	10,975	252,759
Operating Expenses			
Operation and Maintenance			
Purchased Power	20,824	4,860	25,684
Chemicals	14,311		14,311
Materials and Supplies	11,442		11,442
Contractual Services	98,097		98,097
Insurance	1,465		1,465
Miscellaneous Expenses	1,037		1,037
Total Operation and Maintenance	147,176	4,860	152,036
Depreciation	59,299	19,417	78,716
Taxes Other Than Income	445		445
Total Operating Expenses	206,920	24,277	231,197
Net Operating Income	34,864	(13,302)	21,562
Plus: Interest Income	5,912		5,912
Income Available to Service Debt	40,776	(13,302)	27,474

ATTACHMENT B
STAFF REPORT CASE NO. 99-084
STAFF'S RECOMMENDED OPERATIONS

	Test Year Ended 12/31/98	Adjustments	Ref.	Pro forma Present Rates
Operating Revenue				
Water Sales	235,812	7,569	A	243,381
Other Operating Revenue	6,386			6,386
Total Operating Revenue	242,198	7,569		249,767
Operating Expenses				
Operation and Maintenance				
Purchased Power	20,713	4,860	B	25,573
Chemicals	9,254	440	C	9,694
Materials and Supplies	8,810	(2,961)	D	5,849
Contractual Services	96,311	560	E	96,871
Insurance	2,526			2,526
Miscellaneous Expenses	1,578			1,578
Total Operation and Maintenance	139,192	2,899		142,091
Depreciation	63,117	25,782	F	88,899
Taxes Other Than Income	442			442
Total Operating Expenses	202,751	28,681		231,432
Net Operating Income	39,447	(21,112)		18,335
Plus: Interest Income	5,379			5,379
Income Available to Service Debt	44,826	(21,112)		23,714

ATTACHMENT B
STAFF REPORT CASE NO. 99-084
STAFF'S RECOMMENDED OPERATIONS

A) Water Sales. During 1997 Hickory reported water sales revenue of \$241,784 which it proposed to increase by \$10,975 to \$252,759. The adjustment was calculated by Hickory using a billing analysis for the twelve months ending August 31, 1998.

Water sales for 1998 were reported at \$235,812. Staff increased test year water sales by \$7,569. This adjustment included an increase of \$3,194 to reconcile test year revenue to the billing analysis for the calendar year ended 1998 and an increase of \$4,375 for additional revenue resulting from sales to Remington Arms, Inc. The additional sales to Remington were based on the estimated daily demand of 15,000 gallons as stated in Hickory's application.

B) Purchased Power. Hickory proposed to increase purchased power by \$4,860 to reflect energy costs necessary to operate the new pump that will be used to fill the proposed storage tank. The adjustment was calculated by applying a charge of \$.075 per kwh to the estimated amount of kwh's necessary to operate the pump for 8 hours per day. Staff agrees with the adjustment and has included it in pro forma operations.

C) Chemicals. Staff increased test year chemicals to reflect the increased cost that will result from serving Remington Arms, Inc. The adjustment increased operating expenses by \$440. To calculate the adjustment test year chemical cost per 1,000 gallons of water sold of \$0.08142 (test year chemical expense, \$9,254 / test year 1,000 gallons of water sold, 113,663) was applied to the anticipated annual water usage of Remington of 5,400 (15,000 gallons per day x 360 days / 1,000 gallons).

ATTACHMENT B
STAFF REPORT CASE NO. 99-084
STAFF'S RECOMMENDED OPERATIONS

D) Materials and Supplies. The following meter supplies were included in test year operating expenses:

Vendor	Check #	Amount
G&C Supply	7431	280.00
Midstates Meter	7432	769.00
G&C Supply	7595	147.00
Consumer Water District	7598	769.00
U.S. Filter	7654	594.00
Midwest Meter	7657	<u>402.00</u>
Total		<u>2,961.00</u>

These items should have been capitalized as a part of utility plant in service and depreciated over their useful lives. Staff has eliminated them from test year operations and provided for their recovery through an adjustment to test year depreciation expense.

E) Contractual Services. Included in test year contractual services was \$840 paid to United Systems Software for billing reports that were included in Hickory's application. All fees related to the application were included in the total project cost to be financed. Therefore, Staff eliminated this amount from test year operations.

Hickory has three Commissioners. In April of 1998 each Commissioner started receiving \$200 per month for commissioner fees. The total amount paid during the test year for these services was \$5,800. Test year operating expenses were increased \$1,400 ((600 x 12) - 5,800) to reflect 12 months of commissioners fees.

The recommended net increase to test year Contractual Services is \$560 (1,400 - 840).

F) Depreciation. Hickory proposed to increase depreciation expense by \$19,417 to include the recovery of the proposed construction costs. Hickory's adjustment was

ATTACHMENT B
STAFF REPORT CASE NO. 99-084
STAFF'S RECOMMENDED OPERATIONS

calculated using cost estimates of the tangible plant of \$771,860. Its adjustment did not include recovery of the \$256,140 administrative and miscellaneous construction costs as shown in the application. These costs should be considered a part of the capitalized costs of the project and depreciated over the assets useful life. Therefore, Staff recommends that depreciation expense be increased an additional \$6,247 ($\$256,140 \text{ cost} / 41 \text{ years}$). Staff determined the useful life of 41 years based on the weighted average useful life of the tangible plant costing \$771,860.

Staff increased depreciation expense by an additional \$118 ($\$2,961 \text{ meter supplies} / 25 \text{ year depreciable life}$) for meter supplies that were previously capitalized by Staff in item D.

The net increase to depreciation expense is \$25,782 ($\$19,417 + \$6,247 + \118).

ATTACHMENT C
 STAFF REPORT CASE NO. 99-084
 COMPARISON OF HICKORY'S AND STAFF'S REVENUE REQUIREMENT
 CALCULATIONS

	Proposed by Hickory	Recommended by Staff
Pro Forma Operating Expenses	231,197	231,432
Plus: Existing Debt Principal and Interest ¹	61,683	61,520
Proposed KIA Loan ²	32,291	32,161
20% Debt Coverage ³	6,458	18,736
Less: Interest Income	(5,912)	(5,379)
Other Operating Revenue	-	(6,386)
	<hr/>	<hr/>
Total Revenue Required From Rates	325,717	332,084
Less: Pro Forma Present Rates	252,759	243,381
	<hr/>	<hr/>
Required Increase	72,958	88,703
Percentage Increase	<u>28.86%</u>	<u>36.45%</u>

1 Hickory's existing debt requirement was based on a three year average while Staff used a five year average.

2. Hickory's payment for the proposed KIA loan was calculated using 20 annual payments while Staff's was calculated using 40 semi-annual payments as required by the KIA Loan Commitment Letter dated September 28, 1998.

3. Hickory's debt coverage was calculated on the proposed KIA loan only. Staff included the existing bonds in its calculation as required by the existing bond resolutions.

ATTACHMENT D
STAFF REPORT CASE NO. 99-084
STAFF'S RECOMMENDED RATES

Monthly Water Rates

3 /4" Meter

First	2,000 gallons	\$ 9.24	Minimum bill
Next	8,000 gallons	2.41	per 1,000 gallons
Next	90,000 gallons	1.98	per 1,000 gallons
Over	100,000 gallons	1.56	per 1,000 gallons

1" Meter

First	6,000 gallons	\$ 18.88	Minimum bill
Next	4,000 gallons	2.41	per 1,000 gallons
Next	90,000 gallons	1.98	per 1,000 gallons
Over	100,000 gallons	1.56	per 1,000 gallons

1 1/2" Meter

First	7,500 gallons	\$ 22.50	Minimum bill
Next	2,500 gallons	2.41	per 1,000 gallons
Next	90,000 gallons	1.98	per 1,000 gallons
Over	100,000 gallons	1.56	per 1,000 gallons

2" Meter

First	15,000 gallons	\$ 38.42	Minimum bill
Next	85,000 gallons	1.98	per 1,000 gallons
Over	100,000 gallons	1.56	per 1,000 gallons

3" and 4" Meters

First	100,000 gallons	\$206.72	Minimum bill
Over	100,000 gallons	1.56	per 1,000 gallons

ATTACHMENT E
STAFF REPORT CASE NO. 99-084
STAFF'S COST OF SERVICE STUDY

In the Cost of Service Study, Staff has used the commodity demand methodology as set out in the American Water Works Association's ("AWWA") Manual M-1. This study recognizes that a utility must be prepared for meeting average water use needs as well as peak demand requirements. The utility must be sized to meet the demands of the residential customers who place a larger demand on the system than the very large consumers. Consumers who use large amounts of water use it throughout the day and night and generally place a smaller demand on the system than residential customers who use water for a few hours each day.

The commodity demand method allocates costs into either commodity, demand or customer functions. Commodity costs are those costs that vary directly with the quantity of water produced such as chemicals and purchased power. Demand costs are associated with providing facilities to meet the peak demands placed on the system. These costs include transmission and distribution costs. Customer costs are those costs that are associated with serving the customers regardless of the amount of water used such as meter reading and billing and collecting.

Allocation of plant value shown at Sheet 1 allocates plant value into demand or customer. No plant value is allocated to commodity since the value does not change with amounts of water produced. Sheet 3 shows the allocation of expenses to the functional costs components. Administrative and general expenses are allocated based on the subtotal of all other expenses, excluding commodity costs. In order for Hickory to receive only the requested amount, depreciation expense has been decreased by \$7,927 from \$88,899 to \$80,972. Depreciation expense is then allocated based on the

ATTACHMENT E
STAFF REPORT CASE NO. 99-084
STAFF'S COST OF SERVICE STUDY

percentages contained in Sheet 2. Debt service is based on the allocation of plant value percentages shown in Sheet 1.

Once operating and maintenance expense has been allocated, all other expenses and income must be allocated to the functional categories. Sheet 4 shows the allocation of expenses and other revenue based on Hickory's requested revenue. This sheet shows that \$35,267 should be collected from the commodity category, \$223,292 from the demand category, and \$65,598 from the customer category.

After costs have been allocated by function, a billing analysis must be reviewed to study the usage patterns of the customers of the utility. The chart on Sheet 5 shows Hickory's customer usage pattern. Currently, Hickory's rate design is a 7-step declining block schedule, with usage allowances of 2,000 gallons, 3,000 gallons, 5,000 gallons, 10,000 gallons, 30,000 gallons, 50,000 gallons, and over 100,000 gallons. Based on the usage patterns of Hickory's customers, the usage allowances has been changed to a 4-step declining block schedule, with usage allowances of 2,000 gallons, 8,000 gallons, 90,000 gallons, and over 100,000 gallons.

Sheet 6 shows the allocation of expenses to each usage increment based upon the requested revenue. The actual water sales percentages are used to allocate commodity costs. Demand costs are allocated using a weighted sales percentage in order to more fairly reflect the demand placed on the system. The allocations produce the rates that Staff recommends at Attachment D. Sheet 7 shows a verification schedule showing that the rates produced by the cost of service study will in fact produce the correct amount of revenue.

ATTACHMENT E
STAFF REPORT CASE NO. 99-084
STAFF'S COST OF SERVICE STUDY

INDEX

Allocation of Plant Value	Sheet 1
Allocation of Depreciation	Sheet 2
Allocation of O/M Expenses	Sheet 3
Allocation of Cost of Service	Sheet 4
Water Usage Patterns	Sheet 5
Calculation of Water Rates	Sheet 6
Verification of Rates	Sheet 7
Comparison of Rates	Sheet 8

ATTACHMENT E
 STAFF REPORT CASE NO. 99-084
 STAFF'S COST OF SERVICE STUDY

ALLOCATION OF PLANT VALUE
 SHEET 1

	Total	Commodity	Demand	Customer
Land & Land Rights	\$22,417		\$22,417	
Structures & Improvements	114,086		114,086	
Wells & Springs	151,755		151,755	
Pumping Equipment	14,364		14,364	
Water Treatment Equipment	43,540		43,540	
Distribution Reservoirs &				
Standpipes	352,066		352,066	
Transmission & Distribution				
Mains	1,509,621		1,509,621	
Services	92,336			92,336
Meters	309,076			309,076
Hydrants	64,376			64,376
Subtotal	\$2,673,637	\$0	\$2,207,849	\$465,788
Allocation Percentages (1)	100%		83%	17%
Office Furniture & Equipment	\$4,597	\$0	\$3,816	\$781
Total	\$2,678,234	\$0	\$2,211,665	\$466,569
Percentages	100%		83%	17%

ATTACHMENT E
 STAFF REPORT CASE NO. 99-084
 STAFF'S COST OF SERVICE STUDY

ALLOCATION OF DEPRECIATION
 SHEET 2

	Total	Commodity	Demand	Customer
Structures & Improvements	\$44,890		\$44,890	
Wells & Springs	95,394		95,394	
Pumping Equipment	5,046		5,046	
Water Treatment Equipment	16,579		16,579	
Distribution Reservoirs & Standpipes	261,612		261,612	
Transmission & Distribution Mains	624,088		624,088	
Services	86,014			86,014
Meters & Meter Installations	105,093			105,093
Hydrants	61,503			61,503
Other Plant & Misc Equip	3,678			3,678
Total	\$1,138,310	\$0	\$885,700	\$252,610
Allocation Percentages	100%		78%	22%

ATTACHMENT E
STAFF REPORT CASE NO. 99-084
STAFF'S COST OF SERVICE STUDY

ALLOCATION OF OPERATION AND MAINTENANCE EXPENSES
SHEET 3

	Total	Commodity	Demand	Customer
Purchased Power	\$25,573	\$25,573		
Chemicals	9,694	9,694		
Materials and Supplies	5,849		5,849	
Contractual Services				
Meter Reading	21,806			21,806
Plant Operator	10,176		10,176	
Billing Services	2,847			2,847
Engineering	275		275	
Testing	3,210		3,210	
Maintenance	21,588		21,588	
Meter Testing	215			215
Subtotal	\$101,233	\$35,267	\$41,098	\$24,868
Less Commodity	(35,267)			
Total	\$65,966		\$41,098	\$24,868
Allocation Percentages	100.00%		62.30%	37.70%
Administrative & General				
Commissioner Fees	7,200		4,486	2,714
Contractual Services				
Office Labor	12,356		7,698	4,658
Accounting	11,605		7,230	4,375
Other	5,593		3,484	2,109
Insurance	2,526		1,574	952
Miscellaneous	1,578		983	595
Subtotal	\$142,091	\$35,267	\$66,553	\$40,271
Taxes other than income	442		275	167
Depreciation (1)	\$80,972		\$63,158	\$17,814
Less:				
Other Operating Revenue	(6,386)			(6,386)
Interest Income	(5,379)			(5,379)
Operating Expenses	\$211,740	\$35,267	\$129,986	\$46,487
Debt Service(2)	\$112,417		\$93,306	\$19,111
Total Expenses	\$324,157	\$35,267	\$223,292	\$65,598

(1) Depreciation allocations based on 78% demand and 22% customer.

(2) Debt Service based on plant allocation percentages.

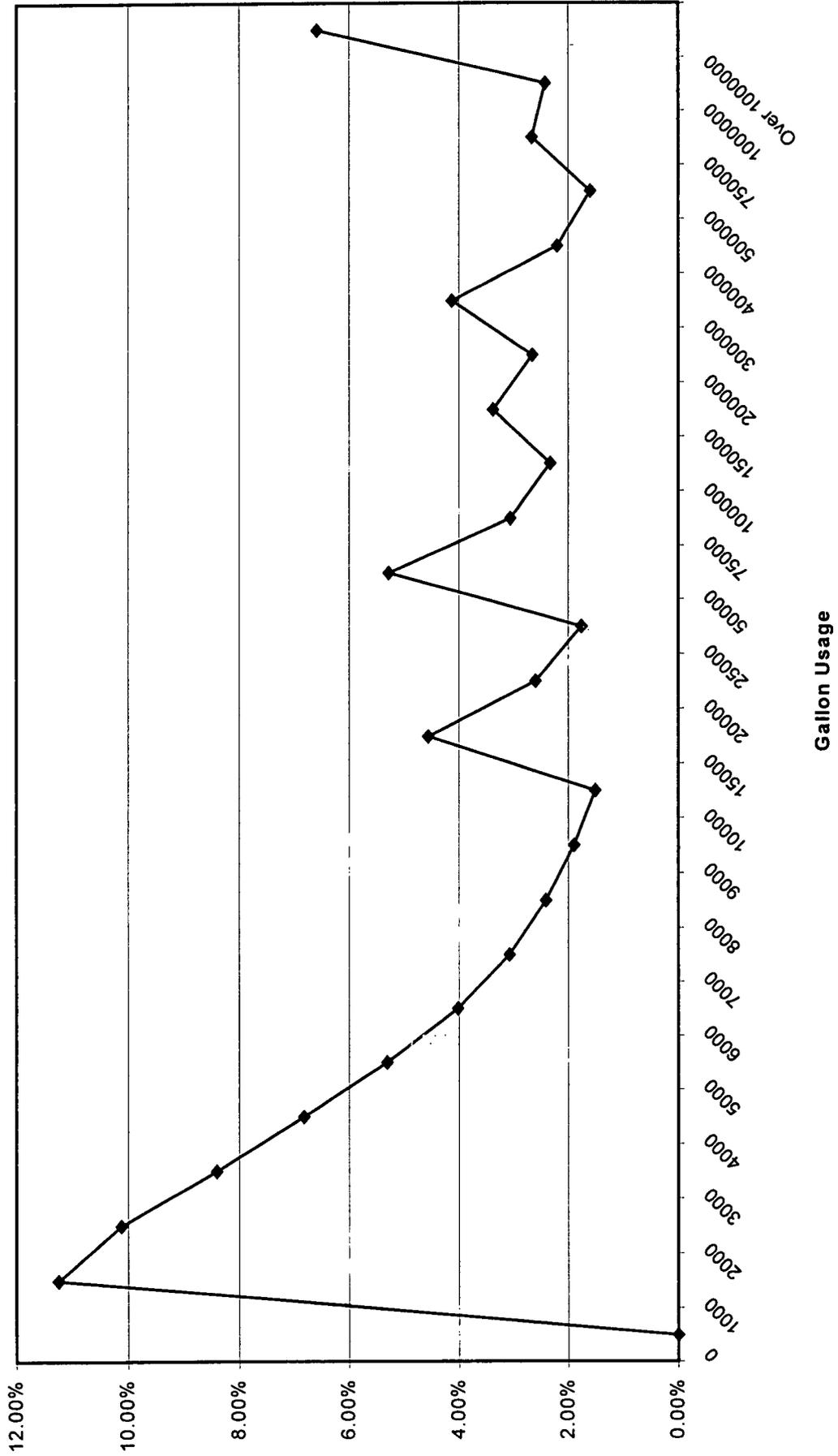
ATTACHMENT E
 STAFF REPORT CASE NO. 99-084
 STAFF'S COST OF SERVICE STUDY

ALLOCATION OF COST OF SERVICE
 SHEET 4

	Total	Commodity	Demand	Customer
Operation and Maintenance	\$142,091	\$35,267	\$66,553	\$40,271
Taxes other than Income	\$442		275	167
Depreciation (1)	80,972		63,158	17,814
Debt Service (2)	112,417		93,306	19,111
General Water Service Cost	\$335,922	\$35,267	\$223,292	\$77,363
Less: Misc Income	(6,386)			(6,386)
Less: Interest Income	(5,379)			(5,379)
Revenue Required from Rates	\$324,157	\$35,267	\$223,292	\$65,598

ATTACHMENT E
STAFF REPORT CASE NO. 99-084
STAFF'S COST OF SERVICE STUDY

USAGE PATTERNS
SHEET 5



ATTACHMENT E
 STAFF REPORT CASE NO. 99-084
 STAFF'S COST OF SERVICE STUDY

CALCULATION OF WATER RATES
 SHEET 6

	Total	First 2,000	Next 8,000	Next 90,000	Over 100,000
Actual Water Sales:					
Thousand Gallons	119,063,270	24,313,890	38,094,400	23,333,080	33,321,900
	100.01%	20.42%	32.00%	19.60%	27.99%
Weighted Sales for Demand:					
Thousand Gallons	176,600,324	48,627,780	63,617,648	31,032,996	33,321,900
Percent	100.00%	27.54%	36.02%	17.57%	18.87%
Allocation of Volumetric Costs:					
Commodity	\$35,267	\$7,202	\$11,285	\$6,912	\$9,871
Demand	223,292	51,495	80,430	39,232	42,135
Customer	65,598	65,598			
Total	\$324,157	\$134,295	\$91,715	\$46,144	\$52,006
Number of Bills		14,539			
Proposed Rates		\$9.24	\$2.41	\$1.98	\$1.56

ATTACHMENT E
 STAFF REPORT CASE NO. 99-084
 STAFF'S COST OF SERVICE STUDY

VERIFICATION OF RATES
 SHEET 7

	Bills	Gallons	Rate	Revenue
First 2,000 gallons	14,539	24,313,890	\$9.24	\$134,340.36
Next 8,000 gallons		38,094,400	2.41	91,807.50
Next 90,000 gallons		23,333,080	1.98	46,199.50
Over 100,000 gallons		33,321,900	1.56	51,982.16
Revenue from Rates				\$324,329.52
Interest Income				5,379.00
Other Operating Revenue				6,386.00
Total Revenue	14,539	119,063,270		\$336,094.52

ATTACHMENT E
 STAFF REPORT CASE NO. 99-084
 STAFF'S COST OF SERVICE STUDY

COMPARISON OF RATES
 SHEET 8

Gallon Usage	Current Rates	Cost of Service Rates	Increase	Percentage
2000	\$6.50	\$9.24	\$2.74	42.15%
3000	9.20	11.65	\$2.45	26.63%
4000	11.90	14.06	\$2.16	18.15%
5000	14.60	16.47	\$1.87	12.81%
6000	16.60	18.88	\$2.28	13.73%
7000	18.60	21.29	\$2.69	14.46%
8000	20.60	23.70	\$3.10	15.05%
9000	22.60	26.11	\$3.51	15.53%
10000	24.60	28.52	\$3.92	15.93%
15000	32.85	38.42	\$5.57	16.96%
20000	41.10	48.32	\$7.22	17.57%
25000	47.10	58.22	\$11.12	23.61%
30000	53.10	68.12	\$15.02	28.29%
35000	59.10	78.02	\$18.92	32.01%
50000	77.10	107.72	\$30.62	39.71%
75000	98.35	157.22	\$58.87	59.86%
100000	119.60	206.72	\$87.12	72.84%
200000	189.60	362.72	\$173.12	91.31%

ATTACHMENT F
STAFF REPORT CASE NO. 99-084
SUMMARY OF STAFF'S BILLING ANALYSIS

Meter Size	Gallons Sold	Revenue
3/4"	70,058,170	\$194,115.44
1"	2,829,800	4,937.60
1 1/2"	4,691,200	6,373.71
2"	12,852,400	14,094.76
3" and up	23,231,700	19,484.98
Totals	113,663,270	\$239,006.49

ATTACHMENT F
STAFF REPORT CASE NO. 99-084
SUMMARY OF STAFF'S BILLING ANALYSIS

USAGE TABLE FOR 3/4" METER

	USAGE	BILLS	GALLONS	2,000	3,000	5,000	10,000	30,000	50,000	100,000	TOTAL
FIRST	2,000	4,038	3,498,090	3,498,090							3,498,090
NEXT	3,000	5,177	18,152,900	10,354,000	7,798,900						18,152,900
NEXT	5,000	3,632	25,248,100	7,264,000	10,896,000	7,088,100					25,248,100
NEXT	10,000	995	13,264,180	1,990,000	2,985,000	4,975,000	3,314,180				13,264,180
NEXT	30,000	237	6,803,400	474,000	711,000	1,185,000	2,370,000	2,063,400			6,803,400
NEXT	50,000	30	1,971,200	60,000	90,000	150,000	300,000	900,000	471,200		1,971,200
OVER	100,000	6	1,120,300	12,000	18,000	30,000	60,000	180,000	300,000	520,300	1,120,300
TOTAL		14,115	70,058,170	23,652,090	22,498,900	13,428,100	6,044,180	3,143,400	771,200	520,300	70,058,170

REVENUE TABLE / CURRENT RATES
REVENUE BY RATE INCREMENT

	BILLS	GALLONS	RATE	REVENUE
FIRST	2,000	23,652,090	\$6.50	\$91,747.50
NEXT	3,000	22,498,900	2.70	60,747.03
NEXT	5,000	13,428,100	2.00	26,856.20
NEXT	10,000	6,044,180	1.65	9,972.90
NEXT	30,000	3,143,400	1.20	3,772.08
NEXT	50,000	771,200	0.85	655.52
OVER	100,000	520,300	0.70	364.21
TOTAL	14,115	70,058,170		\$194,115.44

ATTACHMENT F
STAFF REPORT CASE NO. 99-084
SUMMARY OF STAFF'S BILLING ANALYSIS

USAGE TABLE FOR 1" METER

	USAGE	BILLS	GALLONS	6,000	4,000	10,000	30,000	50,000	100,000	TOTAL
FIRST	6,000	85	151,400	151,400						151,400
NEXT	4,000	4	32,000	24,000	8,000					32,000
NEXT	10,000	24	322,000	144,000	82,000					322,000
NEXT	30,000	10	277,700	60,000	100,000	77,700				277,700
NEXT	50,000	10	656,300	60,000	100,000	300,000	156,300			656,300
NEXT	100,000	6	1,390,400	36,000	60,000	180,000	300,000	790,400		1,390,400
TOTAL		139	2,829,800	475,400	208,000	557,700	456,300	790,400		2,829,800

REVENUE TABLE / CURRENT RATES
REVENUE BY RATE INCREMENT

	BILLS	GALLONS	RATE	REVENUE
FIRST	139	475,400	\$16.60	\$2,307.40
NEXT		208,000	2.00	416.00
NEXT		342,000	1.65	564.30
NEXT		557,700	1.20	669.24
NEXT		456,300	0.85	387.86
OVER		790,400	0.75	592.80
TOTAL	139	2,829,800		\$4,937.60

ATTACHMENT F
 STAFF REPORT CASE NO. 99-084
 SUMMARY OF STAFF'S BILLING ANALYSIS

USAGE TABLE FOR 1 1/2" METER

	USAGE	BILLS	GALLONS	7,500	2,500	10,000	30,000	50,000	100,000	TOTAL
FIRST	7,500	21	54,500	54,500						54,500
NEXT	2,500	2	17,200	15,000	2,200					17,200
NEXT	10,000	8	123,900	60,000	20,000	43,900				123,900
NEXT	30,000	27	916,700	202,500	67,500	270,000	376,700			916,700
NEXT	50,000	23	1,606,000	172,500	57,500	230,000	690,000	456,000		1,606,000
NEXT	100,000	11	1,972,900	82,500	27,500	110,000	330,000	550,000	872,900	1,972,900
TOTAL		92	4,691,200	587,000	174,700	653,900	1,396,700	1,006,000	872,900	4,691,200

REVENUE TABLE / CURRENT RATES
 REVENUE BY RATE INCREMENT

	BILLS	GALLONS	RATE	REVENUE
FIRST	92	587,000	\$19.60	\$1,803.20
NEXT		174,700	2.00	349.40
NEXT		653,900	1.65	1,078.94
NEXT		1,396,700	1.20	1,676.04
NEXT		1,006,000	0.85	855.10
OVER		872,900	0.70	611.03
TOTAL	92	4,691,200		\$6,373.71

ATTACHMENT F
STAFF REPORT CASE NO. 99-084
SUMMARY OF STAFF'S BILLING ANALYSIS

USAGE TABLE FOR 2" METER

	USAGE	BILLS	GALLONS	15,000	5,000	30,000	50,000	100,000	TOTAL
FIRST	15,000	62	190,300	190,300					190,300
NEXT	5,000	5	91,700	75,000	16,700				91,700
NEXT	30,000	14	509,000	210,000	70,000	229,000			509,000
NEXT	50,000	15	1,128,500	225,000	75,000	450,000	378,500		1,128,500
OVER	100,000	38	10,932,900	570,000	190,000	1,140,000	1,900,000	7,132,900	10,932,900
TOTAL		<u>134</u>	<u>12,852,400</u>	<u>1,270,300</u>	<u>351,700</u>	<u>1,819,000</u>	<u>2,278,500</u>	<u>7,132,900</u>	<u>12,852,400</u>

REVENUE TABLE / CURRENT RATES
REVENUE BY RATE INCREMENT

	BILLS	GALLONS	RATE	REVENUE
FIRST	134	1,270,300	\$32.85	\$4,401.90
NEXT		351,700	1.65	580.31
NEXT		1,819,000	1.20	2,182.80
NEXT		2,278,500	0.85	1,936.73
OVER		7,132,900	0.70	4,993.03
TOTAL	<u>134</u>	<u>12,852,400</u>		<u>\$14,094.76</u>

ATTACHMENT F
STAFF REPORT CASE NO. 99-084
SUMMARY OF STAFF'S BILLING ANALYSIS

USAGE TABLE FOR 3" METERS AND UP

	USAGE	BILLS	GALLONS	FIRST 100,000	OVER 100,000	TOTAL
FIRST	100,000	17	426,300	426,300		426,300
OVER	100,000	30	22,805,400	3,000,000	19,805,400	22,805,400
TOTAL		47	23,231,700	3,426,300	19,805,400	23,231,700

REVENUE TABLE / CURRENT RATES
REVENUE BY RATE INCREMENT

	BILLS	GALLONS	RATE	REVENUE
FIRST	47	3,426,300	\$119.60	\$5,621.20
OVER		19,805,400	0.70	13,863.78
TOTAL	47	23,231,700		\$19,484.98

ATTACHMENT G
STAFF REPORT CASE NO. 99-084
SUMMARY OF REVENUES USING HICKORY'S PROPOSED RATES IN STAFF'S
BILLING ANALYSIS

Meter Size	Gallons Sold	Revenue
3/4"	70,058,170	\$254,062.26
1"	2,829,800	6,784.00
1 1/2"	4,691,200	9,051.82
2"	12,852,400	20,085.26
3" and up	28,631,700	34,174.05
Totals	119,063,270	\$324,157.39

ATTACHMENT G
STAFF REPORT CASE NO. 99-084
SUMMARY OF REVENUES USING HICKORY'S PROPOSED RATES IN STAFF'S BILLING ANALYSIS

USAGE TABLE FOR 3 / 4" METER

	USAGE	BILLS	GALLONS	2,000	3,000	5,000	10,000	30,000	50,000	100,000	TOTAL
FIRST	2,000	4,038	3,498,090	3,498,090							3,498,090
NEXT	3,000	5,177	18,152,900	10,354,000	7,798,900						18,152,900
NEXT	5,000	3,632	25,248,100	7,264,000	10,896,000	7,088,100					25,248,100
NEXT	10,000	995	13,264,180	1,990,000	2,985,000	4,975,000	3,314,180				13,264,180
NEXT	30,000	237	6,803,400	474,000	711,000	1,185,000	2,370,000	2,063,400			6,803,400
NEXT	50,000	30	1,971,200	60,000	90,000	150,000	300,000	900,000	471,200		1,971,200
OVER	100,000	6	1,120,300	12,000	18,000	30,000	60,000	180,000	300,000	520,300	1,120,300
TOTAL		14,115	70,058,170	23,652,090	22,498,900	13,428,100	6,044,180	3,143,400	771,200	520,300	70,058,170

REVENUE TABLE / PROPOSED RATES
REVENUE BY RATE INCREMENT

	BILLS	GALLONS	RATE	REVENUE
FIRST	2,000	23,652,090	\$7.90	\$111,508.50
NEXT	3,000	22,498,900	3.65	82,120.99
NEXT	5,000	13,428,100	2.90	38,941.49
NEXT	10,000	6,044,180	2.40	14,506.03
NEXT	30,000	3,143,400	1.75	5,500.95
NEXT	50,000	771,200	1.25	964.00
OVER	100,000	520,300	1.00	520.30
TOTAL	14,115	70,058,170		\$254,062.26

ATTACHMENT G
STAFF REPORT CASE NO. 99-084
SUMMARY OF REVENUES USING HICKORY'S PROPOSED RATES IN STAFF'S BILLING ANALYSIS

USAGE TABLE FOR 1" METER

	USAGE	BILLS	GALLONS	6,000	4,000	10,000	30,000	50,000	100,000	TOTAL
FIRST	6,000	85	151,400	151,400						151,400
NEXT	4,000	4	32,000	24,000	8,000					32,000
NEXT	10,000	24	322,000	144,000	96,000	82,000				322,000
NEXT	30,000	10	277,700	60,000	40,000	100,000	77,700			277,700
NEXT	50,000	10	656,300	60,000	40,000	100,000	300,000	156,300		656,300
NEXT	100,000	6	1,390,400	36,000	24,000	60,000	180,000	300,000	790,400	1,390,400
TOTAL		139	2,829,800	475,400	208,000	342,000	557,700	456,300	790,400	2,829,800

REVENUE TABLE / PROPOSED RATES
REVENUE BY RATE INCREMENT

	BILLS	GALLONS	RATE	REVENUE	
FIRST	6,000	139	475,400	\$21.75	\$3,023.25
NEXT	4,000	208,000	2.90	603.20	
NEXT	10,000	342,000	2.40	820.80	
NEXT	30,000	557,700	1.75	975.98	
NEXT	50,000	456,300	1.25	570.38	
OVER	100,000	790,400	1.00	790.40	
TOTAL		139	2,829,800		\$6,784.00

ATTACHMENT G
STAFF REPORT CASE NO. 99-084
SUMMARY OF REVENUES USING HICKORY'S PROPOSED RATES IN STAFF'S BILLING ANALYSIS

USAGE TABLE FOR 1 1/2" METER

	USAGE	BILLS	GALLONS	7,500	2,500	10,000	30,000	50,000	100,000	TOTAL
FIRST	7,500	21	54,500	54,500						54,500
NEXT	2,500	2	17,200	15,000	2,200					17,200
NEXT	10,000	8	123,900	60,000	20,000	43,900				123,900
NEXT	30,000	27	916,700	202,500	67,500	270,000	376,700			916,700
NEXT	50,000	23	1,606,000	172,500	57,500	230,000	690,000	456,000		1,606,000
NEXT	100,000	11	1,972,900	82,500	27,500	110,000	330,000	550,000	872,900	1,972,900
TOTAL		92	4,691,200	587,000	174,700	653,900	1,396,700	1,006,000	872,900	4,691,200

REVENUE TABLE / PROPOSED RATES
REVENUE BY RATE INCREMENT

	BILLS	GALLONS	RATE	REVENUE
FIRST	92	587,000	\$26.10	\$2,401.20
NEXT		174,700	2.90	506.63
NEXT		653,900	2.40	1,569.36
NEXT		1,396,700	1.75	2,444.23
NEXT		1,006,000	1.25	1,257.50
OVER		872,900	1.00	872.90
TOTAL	92	4,691,200		\$9,051.82

ATTACHMENT G
STAFF REPORT CASE NO. 99-084
SUMMARY OF REVENUES USING HICKORY'S PROPOSED RATES IN STAFF'S BILLING ANALYSIS

USAGE TABLE FOR 2" METER

	USAGE	BILLS	GALLONS	15,000	5,000	30,000	50,000	100,000	TOTAL
FIRST	15,000	62	190,300	190,300					190,300
NEXT	5,000	5	91,700	75,000	16,700				91,700
NEXT	30,000	14	509,000	210,000	70,000	229,000			509,000
NEXT	50,000	15	1,128,500	225,000	75,000	450,000	378,500		1,128,500
OVER	100,000	38	10,932,900	570,000	190,000	1,140,000	1,900,000	7,132,900	10,932,900
TOTAL		134	12,852,400	1,270,300	351,700	1,819,000	2,278,500	7,132,900	12,852,400

REVENUE TABLE / PROPOSED RATES
REVENUE BY RATE INCREMENT

	BILLS	GALLONS	RATE	REVENUE
FIRST	134	1,270,300	\$45.35	\$6,076.90
NEXT		351,700	2.40	844.08
NEXT		1,819,000	1.75	3,183.25
NEXT		2,278,500	1.25	2,848.13
OVER		7,132,900	1.00	7,132.90
TOTAL	134	12,852,400		\$20,085.26

ATTACHMENT G
 STAFF REPORT CASE NO. 99-084
 SUMMARY OF REVENUES USING HICKORY'S PROPOSED RATES IN STAFF'S BILLING ANALYSIS

USAGE TABLE FOR 3" METERS AND UP

	USAGE	BILLS	GALLONS	FIRST 100,000	OVER 100,000	TOTAL
FIRST	100,000	17	426,300	426,300		426,300
OVER	100,000	42	28,205,400	4,200,000	24,005,400	28,205,400
TOTAL		59	28,631,700	4,626,300	24,005,400	28,631,700

REVENUE TABLE / PROPOSED RATES
 REVENUE BY RATE INCREMENT

	BILLS	GALLONS	RATE	REVENUE
FIRST	100,000	59	\$172.35	\$10,168.65
OVER	100,000	24,005,400	1.00	24,005.40
TOTAL	59	28,631,700		\$34,174.05



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION

730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

CERTIFICATE OF SERVICE

RE: Case No. 99-084
HICKORY WATER DISTRICT

I, Stephanie Bell, Secretary of the Public Service Commission, hereby certify that the enclosed attested copy of the Commission's Order in the above case was served upon the following by U.S. Mail on May 14, 1999.

See attached parties of record.

Stephanie Bell
Secretary of the Commission

SB/hv
Enclosure

Honorable Gayle B. Robbins
Attorney at Law
101 South 7th Street
Mayfield, KY. 42066

Kentucky Infrastructure Authority
261 Capitol Annex
Frankfort, KY. 40601

Reed & Company, CPA
231 North 7th Street
Mayfield, KY. 42066

Attorney General
Utility Intervention & Rate Division
P. O. Box 2000
Frankfort, KY. 40601

Mr. Robert H. Sullivan
Chairman
Hickory Water District
P. O. Box 128
Hickory, KY. 42051

Mr. Rod H. Martin
Hunter Martin & Associates, Inc.
3220 Lone Oak Road
Paducah, KY. 42003

Brad Davis
Purchase Area Development District
1002 Medical Drive
Mayfield, KY. 42066

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF HICKORY WATER)
DISTRICT FOR (1) ISSUANCE OF A CERTIFICATE)
OF PUBLIC CONVENIENCE AND NECESSITY FOR)
CONSTRUCTION OF THE 1998 INDUSTRIAL PARK)
WATER SYSTEM IMPROVEMENTS; (2)) CASE NO. 99-084
AUTHORIZATION TO BORROW \$528,000 FROM)
KENTUCKY INFRASTRUCTURE AUTHORITY; AND)
(3) AUTHORIZATION TO RAISE RATES TO PAY)
FOR THE ADDITIONAL INDEBTEDNESS)

O R D E R

On April 15, 1999, Hickory Water District ("Hickory District") submitted an application for a Certificate of Public Convenience and Necessity to construct a \$1,090,000 waterworks improvement project, for approval of its plan of financing for this project, and for adjustments to its water service rates.

The project consists of the construction of a new 500,000 gallon elevated water storage tank and appurtenances, 9,200 linear feet of 12-inch water mains, and new high service pumps. An existing storage tank will be abandoned. This project is necessary to serve Industrial Park #3 in Graves County, Kentucky, with potable water and to allow for fire protection facilities. In addition, this project benefits the entire water district area with additional water storage capacity to comply with the Commission's one-day storage requirement as set out in 807 KAR 5:066 and increased water pressure in certain low-pressure areas. Funding for the proposed project consists of a \$500,000 grant from the

U.S. Department of Commerce, Economic Development Administration and a \$528,000 loan from the Kentucky Infrastructure Authority that carries an annual interest rate of 1.8 percent.

Hickory District has requested that Commission approval of the proposed construction and financing be granted as expeditiously as possible so that construction may begin in a timely manner. By subsequent Order in this case, the Commission will address the rates necessary to provide the utility with an opportunity to recover its reasonable operating costs, service its debt, and provide a reasonable surplus for equity growth.

After review of the evidence of the record and being otherwise sufficiently advised, the Commission finds that:

1. Hickory District proposes to construct a 500,000 gallon elevated water storage tank and appurtenances, 9,200 linear feet of 12-inch water main, and new high service pumps.
2. Plans and specifications for the proposed improvements prepared by Hunter, Martin & Associates, Inc. of Paducah, Kentucky, have been approved by the Division of Water of the Natural Resources and Environmental Protection Cabinet.
3. Public convenience and necessity require that the construction identified in Hickory District's application be performed and that a Certificate of Public Convenience and Necessity be granted.

4. The financing plan proposed by Hickory District is for lawful objects within the corporate purpose of its utility operation, is necessary and appropriate for and consistent with the proper performance of the utility's service to the public and will not impair its ability to perform that service, and is reasonably necessary and appropriate for such purpose. It should, therefore, be approved.

IT IS THEREFORE ORDERED that:

1. Hickory District is granted a Certificate of Public Convenience and Necessity to proceed with the proposed construction project as set forth in the plans and specifications of record herein.

2. Hickory District shall obtain approval from the Commission prior to performing any additional construction not expressly authorized by this Order.

3. Any deviation from the construction approved shall be undertaken only with the prior approval of the Commission.

4. Hickory District shall furnish documentation of the total costs of this project, including the cost of construction and all other capitalized costs (engineering, legal, administrative, etc.), within 60 days of the date that construction is substantially completed. Construction costs should be classified into appropriate plant accounts in accordance with the Uniform System of Accounts for Water Utilities prescribed by the Commission.

5. Hickory District shall require construction to be inspected under the general supervision of a professional engineer with a Kentucky registration in civil or mechanical engineering to ensure that the construction work is done in accordance with the contract

drawings and specifications and in conformance with the best practices of the construction trades involved in the project.

6. Hickory District shall file a copy of the "as-built" drawings and a certified statement that the construction has been satisfactorily completed in accordance with the contract plans and specifications within 60 days of the substantial completion of the construction certificated herein.

7. Hickory District is authorized to issue notes to the Kentucky Infrastructure Authority in an amount not to exceed \$528,000.

8. The proceeds from the \$528,000 note shall be used only for the lawful purposes specified in Hickory District's application.

9. Hickory District's application for adjustments to retail rates is continued generally.

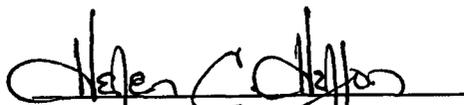
10. Nothing contained herein shall be construed as constituting approval of any other portion of Hickory District's application.

Nothing contained herein shall be deemed a warranty of the Commonwealth of Kentucky, or any agency thereof, of the financing herein accepted.

Done at Frankfort, Kentucky, this 14th day of May, 1999.

By the Commission

ATTEST:


Executive Director



"Established 1952"

HUNTER MARTIN & ASSOCIATES, INC.

ENGINEERS & SURVEYORS

3220 LONE OAK ROAD * PADUCAH, KENTUCKY 42003
(502) 554-2737 • FAX (502) 554-2738

HUNTER H. MARTIN (1924 - 1997)
Founder

ROD H. MARTIN, P.E./L.S.
President

MICHAEL GARDNER
Vice President

BETTY J. GARDNER
Secretary/Treasurer

April 22, 1999

APR 26 1999
PUBLIC SERVICE
COMMISSION

Honorable Helen C. Helton, Executive Director
Public Service Commission
P. O. Box 615
730 Schenkel Lane
Frankfort, KY 40601

Dear Ms. Helton:

RE: HICKORY WATER DISTRICT, GRAVES COUNTY, KENTUCKY - CASE NO. 99-084

Pursuant to a telephone conversation with your office this date, we are submitting herewith a duplicate copy of the following information for the case file:

EXHIBIT II - 1 Complete Set with Original Stamp and Signature - Final Engineering Report (After Bidding), November, 1998.

If you have any questions, or need additional information, please advise.

Yours very truly,

HUNTER MARTIN & ASSOCIATES, INC.

Rod H. Martin, P.E.

Enclosures

cc: Parties of Record, w/out encls.

HICKORY WATER DISTRICT
HICKORY, GRAVES CO., KY
PARTIES OF RECORD

April 12, 1999

Honorable Helen C. Helton, Executive Director
Kentucky Public Service Commission
730 Schenkle Lane
P. O. Box 615
Frankfort, KY 40602

Gayle B. Robbins
Attorney at Law
101 S. 7th Street
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231 N. 7th Street
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Utility Intervention &
Rate Division
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Frankfort, KY 40601

Mr. Robert H. Sullivan, Chairman
Hickory Water District
P. O. Box 128
Hickory, KY 42051

Mr. Rod H. Martin, P.E.
Hunter Martin & Associates, Inc.
3220 Lone Oak Road
Paducah, KY 42003

Brad Davis
Purchase Area Development District
1002 Medical Drive
Mayfield, KY 42066

HICKORY WATER DISTRICT GRAVES COUNTY, KENTUCKY

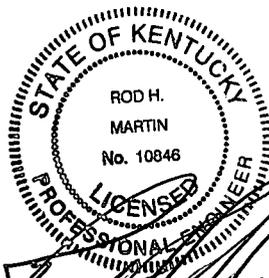
FINAL ENGINEERING REPORT (After Bidding)

1998 INDUSTRIAL PARK WATER SYSTEM IMPROVEMENTS

NOVEMBER, 1998

BOARD OF COMMISSIONERS:

Robert H. Sullivan, Chairman
Tommy C. Green, Secretary
Sam E. Davis, Treasurer



A handwritten signature in black ink, appearing to read "Rod H. Martin".

4-13-99

CONSULTING ENGINEER
Hunter Martin & Associates, Inc.
3220 Lone Oak Road
Paducah, KY. 42003

SET NO. _____

EDA PROJECT NO. AKY 0382

**HICKORY WATER DISTRICT
GRAVES COUNTY, KENTUCKY**

**FINAL ENGINEERING REPORT
(After Bidding)**

**1998 INDUSTRIAL PARK
WATER SYSTEM IMPROVEMENTS**

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PREFACE:

On October 16, 1998, Hickory Water District received and opened Bids for Contracts A and B of the 1998 Industrial Park Water System Improvements. These improvements are to be financed by an EDA Grant and a loan through Kentucky Infrastructure Authority. The bids received are outlined as follows:

Contract A:

Nine Bids were received on Contract A with the Low Bidder being Burgess Construction, Eddyville, KY, with a Low Bid in the amount of \$276,260.00

All Bids were checked to determine if they were responsive and responsible and a Bid Tabulation was completed and distributed to all Bidders, the District and the Public Service Commission.

The Engineer is familiar with the Contractor from two previous projects. He has sufficient equipment to do the work; has the expertise for this type work; and has done work on other projects of similar nature. He successfully completed all projects that the Engineer is familiar with.

The Contractor is satisfied with his Bid in relation to other Bids and there should be no problem with bonding.

The District has authorized the issuance of the Notice of Award (Subject to Public Service Commission Approval) to Burgess Construction in the amount of \$276,260.00.

Contract B:

Three bids were received on Contract B with the Low Bidder being Caldwell Tanks, Inc., Huntington, Indiana, with a Low Bid in the amount of \$495,600.00.

All Bids were checked to determine if they were responsive and responsible and a Bid Tabulation was completed and distributed to all Bidders, the District and the Public Service Commission.

The Engineer is familiar with the Contractor from several previous projects. The District also has experience with the Contractor on a previous project. The Contractor has sufficient equipment to do the work and has the expertise for this type work.

The Contractor is satisfied with his Bid in relation to other Bids and there should be no problem with bonding.

The District has authorized the issuance of the Notice of Award (Subject to Public Service Commission Approval) to Caldwell Tanks, Inc. in the amount of \$495,600.00.

The table on the following pages shows the updated Project Cost and Source of Funds for these improvements.

This Final Engineering Report has been prepared by updating the original Preliminary Engineering Report to show the actual Construction Costs and Project Costs to date as shown for the Bids received.

Respectfully submitted,

HUNTER MARTIN & ASSOCIATES, INC.



Rod H. Martin, P.E.

HICKORY WATER DISTRICT
GRAVES COUNTY, KENTUCKY

WATER SYSTEM IMPROVEMENTS
PROJECT COSTS
(After Bidding)

CONSTRUCTION COSTS:	Quantity	Units	Unit Cost	Subtotal	TOTAL	EDA SIARE 3.94%	KIA SIARE 46.06%	Check Column
CONTRACT A (New):								
MOBILIZATION/DEMobilIZATION	1	LS	\$6,000.00	\$6,000.00				
WATER MAINS, PVC								
12" SDR 21	9,200	LF	\$8.70	\$80,040.00				
8" SDR 21	250	LF	\$6.00	\$1,500.00				
6" SDR 21	100	LF	\$4.00	\$400.00				
FITTINGS								
Ductile Iron, 12" Size	4,850	LBS.	\$2.00	\$9,700.00				
Ductile Iron, 8" Size	300	LBS.	\$2.00	\$600.00				
Ductile Iron, 6" Size	300	LBS.	\$2.00	\$600.00				
VALVES, W/IRON BOX								
12" Gate	5	E.A.	\$985.00	\$4,925.00				
8" Gate	2	E.A.	\$360.00	\$1,120.00				
6" Gate	9	E.A.	\$380.00	\$3,420.00				
SPECIAL FITTINGS, TAPPING TEE								
12" x 12" x 12" W/12" Valve	1	E.A.	\$3,310.00	\$3,310.00				
CLAMPS AND COUPLINGS								
12"	2	E.A.	\$90.00	\$180.00				
TIE-INS								
Tank	1	E.A.	\$400.00	\$400.00				
12"	1	E.A.	\$400.00	\$400.00				
8"	1	E.A.	\$375.00	\$375.00				
FIRE HYDRANTS	6	E.A.	\$950.00	\$5,700.00				
AIR RELEASE VALVES W/BOX	1	E.A.	\$550.00	\$550.00				
BORE W/CASING								
18" Casing	120	LF	\$75.00	\$9,000.00				
CRUSHED STONE	100	CY	\$17.00	\$1,700.00				
CONCRETE ENCASEMENT	20	LF	\$40.00	\$800.00				
ASPHALT PAVEMENT REPLACEMENT	20	SY	\$15.00	\$300.00				
CONCRETE PAVEMENT REPLACEMENT	4	CY	\$120.00	\$480.00				
ELEVATED TANK GENERAL	1	LS	\$21,760.00	\$21,760.00				
CHECK VALVE REMOVAL	1	LS	\$1,200.00	\$1,200.00				
LOWES MASTER METER	1	LS	\$20,800.00	\$20,800.00				
TREATMENT BUILDING ADDITION								
Building Improvements	1	LS	\$31,200.00	\$31,200.00				
Pumps	1	LS	\$9,250.00	\$9,250.00				
Electrical	1	LS	\$13,350.00	\$13,350.00				
Pipe and Valves	1	LS	\$10,000.00	\$10,000.00				
Site Work and Parking Area	1	LS	\$1,000.00	\$1,000.00				
Miscellaneous	1	LS	\$500.00	\$500.00				

HICKORY WATER DISTRICT
GRAVES COUNTY, KENTUCKY

WATER SYSTEM IMPROVEMENTS
PROJECT COSTS
(After Bidding)

RADIO CONTROLS									
Lowes Tank/Flow Valve				LS		\$14,500.00		\$14,500.00	
Industrial Park Tank/H.S. Pumps				LS		\$21,200.00		\$21,200.00	
SUBTOTAL - CONTRACT A:						\$276,260.00			
CONTRACT B (New):									
500,000 GALLON ELEVATED TANK									
Foundation				LS		\$65,000.00		\$65,000.00	
Prefabrication				LS		\$231,600.00		\$231,600.00	
Erection				LS		\$115,000.00		\$115,000.00	
Cathodic Protection				LS		\$7,000.00		\$7,000.00	
Painting				LS		\$62,000.00		\$62,000.00	
ABANDON EXISTING HWY. 121 PEDESTRIAN				LS		\$15,000.00		\$15,000.00	
SUBTOTAL - CONTRACT B:						\$495,600.00			
SUBTOTAL - CONSTRUCTION (New)						\$771,860.00	\$416,330.45	\$771,860.00	\$771,860.00
PREVIOUS WORK:									
INSIDE INDUSTRIAL PARK:									
Estimated Project Costs			1,975	LF		\$28.26		\$55,804.00	
ALONG HICKORY ROAD:									
Estimated Project Costs			1,600	LF		\$28.26		\$45,216.00	
SUBTOTAL - PREVIOUS WORK						\$101,020.00		\$101,020.00	\$101,020.00
TOTAL CONSTRUCTION						\$872,880.00	\$416,330.45	\$456,549.55	\$872,880.00
TECHNICAL (New Work Only)									
BASIC						\$60,500.00			
Through Contract Award						80.00%		\$48,400.00	
During Construction						20.00%		\$12,100.00	
INSPECTION (PART TIME AS NEEDED)						\$39,461.81		\$19,000.00	
EXTRA									
Surveys						\$500.00			
Easements/Permits/Right-Of-Way						\$500.00			
Soil Investigation						\$2,800.00			
Critical Phase Inspection						\$4,500.00			
Financing Assistance						\$2,500.00			
Pac Rate & Construction Case						\$5,000.00			
Hydraulic Analysis						\$4,700.00		\$20,500.00	
SUBTOTAL - TECHNICAL						\$100,000.00	\$53,938.60	\$46,061.40	\$100,000.00
INTEREST DURING CONSTRUCTION						\$5,681.76	\$3,064.66	\$2,617.10	\$5,681.76

HICKORY WATER DISTRICT
GRAVES COUNTY, KENTUCKY

WATER SYSTEM IMPROVEMENTS
PROJECT COSTS
(After Bidding)

ADMINISTRATIVE	1	LS		\$7,500.00	\$7,500.00	\$4,045.39	\$3,454.61	\$7,500.00
LAND, STRUCTURES, R.O.W., APPRAISALS	1	LS		\$500.00	\$500.00	\$269.69	\$230.31	\$500.00
RELOCATION EXPENSES & PAYMENTS	1	LS		\$500.00	\$500.00	\$269.69	\$230.31	\$500.00
CONTINGENCIES	4.4163%	Proj (Less Prev. Work)	---	\$40,938.24	\$40,938.24	\$22,081.51	\$18,856.73	\$40,938.24
TOTAL PROJECT COSTS					\$1,028,000.00	\$500,000.00	\$528,000.00	\$1,028,000.00
SUMMARY (Including Previous Work)								
Amount					Total	EDA	KIA	
Per Cent Of Project Funding (Excl. Prior Work)					\$1,028,000.00	\$500,000.00	\$528,000.00	
						53.94%	46.06%	

1. GEOGRAPHY AND POPULATION OF GRAVES COUNTY:

1.1. Geography.

Graves County is located in the western part of Kentucky and is bounded on the South by the Kentucky - Tennessee State line. Marshall County and Calloway County lie to the East; McCracken County lies to the North; and Ballard County, Carlisle County, and Hickman County lie on the Western border. Graves County is the fifth largest County in the State of Kentucky with approximately 555 square miles or 355,200 acres of land area.

Figure 1 on Page 9 is a General Location Map showing Kentucky Counties and their relationship to Graves County.

1.2. Population.

Based on the 1990 Census, the population of Graves County was 33,550 persons. Mayfield, the County Seat, has the largest population in the County . Other cities within Graves County include Wingo, Pryorsburg, Symsonia, Farmington, Folsomdale, Lowes.

Population projections for Graves County are shown in the following table. This information is based on the University Of Louisville's publication "HOW MANY KENTUCKIANS: Population Forecasts 1990-2020", 1992 Edition. Projections are for "Moderate Growth" as defined in the publication.

**Table 1
GRAVES COUNTY, KENTUCKY
POPULATION PROJECTIONS**

	1970 Census	1980 Census	1990 Census	2000 Projection	2010 Projection	2020 Projection
GRAVES COUNTY	30,939	34,049	33,550	33,675	33,716	33,716

2. HICKORY WATER DISTRICT - GENERAL INFORMATION:

2.1. Formation And Organization.

Hickory Water District of Graves County, Kentucky was created by virtue of Chapter 74 of the Kentucky Revised Statutes, pursuant to a judgment of the County Court of Graves County, Kentucky, duly entered on September 11, 1964. The regulatory agencies for the District are the Public Service Commission and the Department For Environmental Protection, Division Of Water.

Hickory Water District serves the Northern portion of Graves County. The District extends from Mayfield on the South to the Graves County-McCracken County line on the North. Figure 2 on Page 11 is an overall map of the District's service area.

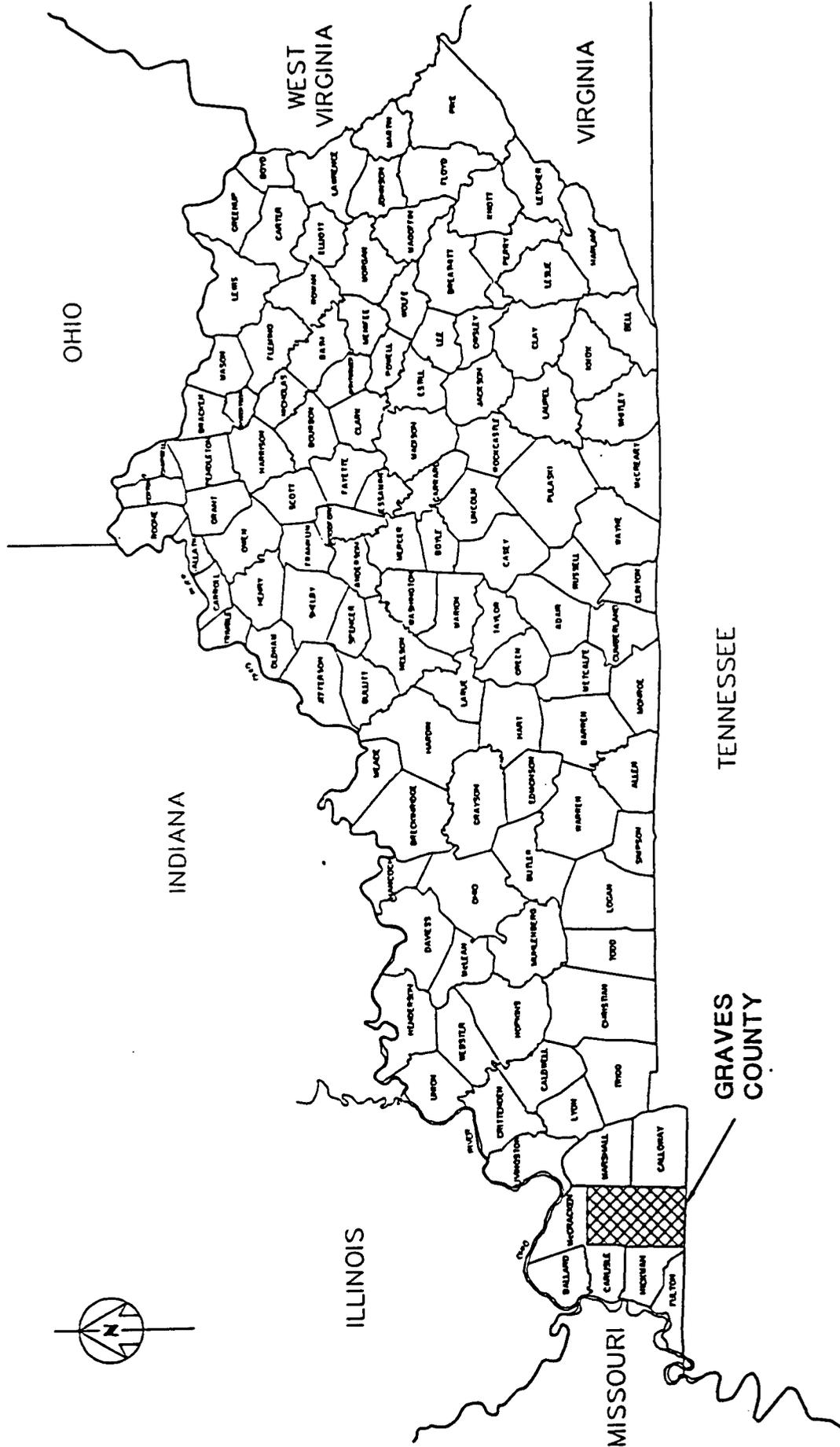
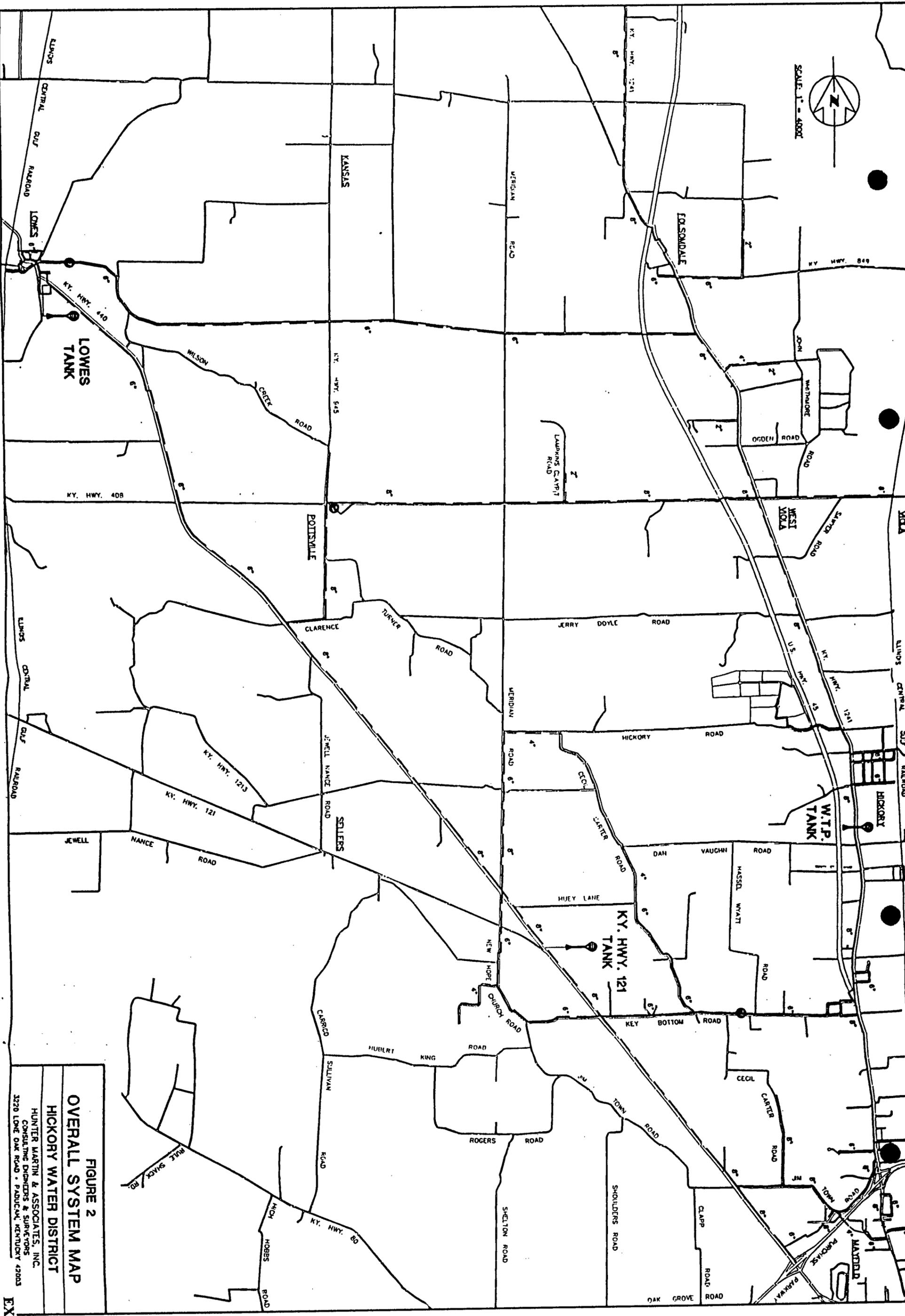


FIGURE 1
 GENERAL LOCATION MAP
KENTUCKY COUNTIES
HICKORY WATER DISTRICT
 HUNTER MARTIN & ASSOCIATES, INC.
 CONSULTING ENGINEERS & SURVEYORS
 1220 LONE OAK ROAD - PADUCAH, KENTUCKY 47003



LOWES TANK

W.T.P. TANK

KY. HWY. 121 TANK

FIGURE 2
OVERALL SYSTEM MAP
HICKORY WATER DISTRICT

HUNTER MARTIN & ASSOCIATES, INC.
CONSULTING ENGINEERS & SUPERVISORS
3220 LONE OAK ROAD - PADUCAH, KENTUCKY 42003

The post office address of the Water District is:

Hickory Water District
P. O. Box 128
Hickory, KY. 42051

The governing body of Hickory Water District consists of 3 Commissioners. The Commissioners are duly appointed by the County Judge Executive of Graves County with approval of the Fiscal Court. The present Commissioners are:

Robert H. Sullivan, Chairman
Tommy C. Green, Secretary
Sam E. Davis, Treasurer

2.2. Customer Base.

In 1995 Hickory Water District had approximately 1,149 customers. These customers are predominately rural single family users with the average usage running approximately 4,817 gallons per month. The largest single user is General Tire.

A user analysis for the test year ending January, 1995, was prepared and a summary of the analysis is shown in Table 2 on Page 13.

3. FINANCIAL CONDITION OF WATER DISTRICT:

3.1. Current Indebtedness.

The District has long-term debt consisting of two revenue bonds bearing 3.75% and 5.0% respectively. Table 3 on Page 14 is a summary of the Annual Debt Service Requirements for both loans.

3.2. Annual Revenues And Expenses.

Summaries of the annual revenues and expenses for the years ending December, 1991, through December, 1995, are presented in Table 4 on Page 15 for Hickory Water District. This information was taken from the Financial Reports which are prepared annually.

**Table 2
HICKORY WATER DISTRICT
Annual Usage And Revenue
For Test Year Ending January, 1996**

3/4" METERS				1" METERS			
Cutoff Range	Bills	Total Gallons Sold	Total Revenue	Cutoff Range	Bills	Total Gallons Sold	Total Revenue
2,000	3,401	3,632,482	\$22,106.50				
5,000	5,286	18,271,726	\$55,148.26	6,000	46	147,000	\$763.60
10,000	3,522	23,899,000	\$63,999.20	10,000	29	224,500	\$582.40
20,000	946	10,104,892	\$24,335.67	20,000	34	500,100	\$1,100.57
50,000	179	3,587,200	\$7,365.54	50,000	10	341,900	\$581.28
100,000	33	1,803,508	\$2,674.78	100,000	4	323,600	\$413.46
99,999,999	26	3,213,492	\$3,539.04	99,999,999	10	3,618,400	\$3,028.88
TOTAL	13,393	64,512,300	\$179,169.00	TOTAL	133	5,155,500	\$6,470.19
Average		4,817		Average		38,763	

1-1/2" METERS				2" METERS			
Cutoff Range	Bills	Total Gallons Sold	Total Revenue	Cutoff Range	Bills	Total Gallons Sold	Total Revenue
7,500	33	43,400	\$646.80				
10,000	9	80,100	\$201.60	15,000	48	199,900	\$1,576.80
20,000	0	0	\$0.00	20,000	1	18,800	\$39.12
50,000	40	1,465,000	\$2,442.00	50,000	15	441,400	\$786.18
100,000	21	1,414,800	\$1,929.18	100,000	14	1,150,200	\$1,462.07
99,999,999	5	798,800	\$807.16	99,999,999	37	8,773,500	\$7,976.65
TOTAL	108	3,802,100	\$6,026.74	TOTAL	115	10,583,800	\$11,840.82
Average				Average		92,033	

3" & 4" METERS				SUM			
Cutoff Range	Bills	Total Gallons Sold	Total Revenue	Cutoff Range	Bills	Total Gallons Sold	Total Revenue
				2,000	3,401	3,632,482	\$22,106.50
				5,000	5,286	18,271,726	\$55,148.26
				6,000	46	147,000	763.60
				7,500	33	43,400	646.80
				10,000	3560	24,203,600	64,783.20
				15,000	48	199,900	1,576.80
				20,000	981	10,623,792	25,475.36
				50,000	244	5,835,500	11,175.00
100,000	12	83,000	\$1,435.20	100,000	84	4,775,108	7,914.69
99,999,999	24	29,182,600	\$21,618.22	99,999,999	102	45,586,792	36,969.95
TOTAL	36	29,265,600	\$23,053.42	TOTAL	13,785	113,319,300	\$226,560.16
Average		812,933		Average	1,149	9,443,275	\$18,880.01

**Table 3
HICKORY WATER DISTRICT
SUMMARY OF ANNUAL DEBT SERVICE REQUIREMENTS**

Annual Debt Service - 1 st Issue				
3.75% For 40 Years				
Yr. End.	Balance	Principal	Interest	Total
1996	\$471,000.00			
1997	\$435,000.00	\$38,000.00	\$17,662.50	\$55,662.50
1998	\$397,000.00	\$39,000.00	\$16,312.50	\$55,312.50
1999	\$358,000.00	\$41,000.00	\$14,887.50	\$55,887.50
2000	\$317,000.00	\$42,000.00	\$13,425.00	\$55,425.00
2001	\$275,000.00	\$44,000.00	\$11,887.50	\$55,887.50
2002	\$231,000.00	\$45,000.00	\$10,312.50	\$55,312.50
2003	\$186,000.00	\$47,000.00	\$8,662.50	\$55,662.50
2004	\$139,000.00	\$49,000.00	\$6,975.00	\$55,975.00
2005	\$90,000.00	\$52,000.00	\$5,212.50	\$57,212.50
2006	\$38,000.00	\$38,000.00	\$3,375.00	\$41,375.00
2007	\$0.00			\$0.00

Annual Debt Service - 2 nd Issue				
5.00% For 40 Years				
1996	\$107,000.00			
1997	\$105,000.00	\$2,000.00	\$5,350.00	\$7,350.00
1998	\$103,000.00	\$2,500.00	\$5,250.00	\$7,750.00
1999	\$100,500.00	\$2,500.00	\$5,150.00	\$7,650.00
2000	\$98,000.00	\$2,500.00	\$5,025.00	\$7,525.00
2001	\$95,500.00	\$2,500.00	\$4,900.00	\$7,400.00
2002	\$93,000.00	\$3,000.00	\$4,775.00	\$7,775.00
2003	\$90,000.00	\$3,000.00	\$4,650.00	\$7,650.00
2004	\$87,000.00	\$3,000.00	\$4,500.00	\$7,500.00
2005	\$84,000.00	\$3,000.00	\$4,350.00	\$7,350.00
2006	\$81,000.00	\$3,000.00	\$4,200.00	\$7,200.00
2007	\$78,000.00	\$3,000.00	\$4,050.00	\$7,050.00
2008	\$75,000.00	\$4,000.00	\$3,900.00	\$7,900.00
2009	\$71,000.00	\$4,000.00	\$3,750.00	\$7,750.00
2010	\$67,000.00	\$4,000.00	\$3,550.00	\$7,550.00
2011	\$63,000.00	\$4,500.00	\$3,350.00	\$7,850.00
2012	\$58,500.00	\$4,500.00	\$3,150.00	\$7,650.00
2013	\$54,000.00	\$5,000.00	\$2,925.00	\$7,925.00
2014	\$49,000.00	\$5,000.00	\$2,700.00	\$7,700.00
2015	\$44,000.00	\$5,500.00	\$2,450.00	\$7,950.00
2016	\$38,500.00	\$5,500.00	\$2,200.00	\$7,700.00
2017	\$33,000.00	\$6,000.00	\$1,925.00	\$7,925.00
2018	\$27,000.00	\$6,500.00	\$1,650.00	\$8,150.00
2019	\$20,500.00	\$6,500.00	\$1,350.00	\$7,850.00
2020	\$14,000.00	\$7,000.00	\$1,025.00	\$8,025.00
2021	\$7,000.00	\$7,000.00	\$700.00	\$7,700.00
2022	\$0.00	\$7,000.00	\$350.00	\$7,350.00

**Table 4
HICKORY WATER DISTRICT
SUMMARY OF REVENUES AND EXPENSES
1991 - 1995**

	YEAR ENDING DECEMBER 1991	YEAR ENDING DECEMBER 1992	YEAR ENDING DECEMBER 1993	YEAR ENDING DECEMBER 1994	YEAR ENDING DECEMBER 1995
OPERATING REVENUE:					
Water Sales	\$207,304.00	\$219,625.00	\$219,226.00	\$223,926.00	\$226,553.00
Miscellaneous Service Revenue	\$4,241.00	\$4,539.00	\$4,855.00	\$4,781.00	\$5,491.00
SUBTOTAL - OPERATING REVENUE	\$211,545.00	\$224,164.00	\$224,081.00	\$228,707.00	\$232,044.00
OPERATING EXPENSES:					
Purchased Power	\$18,617.00	\$17,413.00	\$17,599.00	\$18,049.00	\$21,841.00
Chemicals	\$6,529.00	\$8,612.00	\$10,677.00	\$7,789.00	\$4,470.00
Materials and Supplies	\$9,548.00	\$6,333.00	\$7,761.00	\$15,291.00	\$11,825.00
Contractual Services	\$78,019.00	\$70,015.00	\$70,055.00	\$81,627.00	\$92,569.00
Rents	\$0.00	\$0.00	\$700.00	\$1,010.00	\$0.00
Insurance	\$1,481.00	\$1,509.00	\$1,689.00	\$1,503.00	\$1,909.00
Miscellaneous Expenses	\$1,391.00	\$1,655.00	\$1,563.00	\$1,678.00	\$1,383.00
Depreciation	\$48,630.00	\$47,013.00	\$48,039.00	\$49,101.00	\$54,792.00
Other Taxes	\$251.00	\$303.00	\$358.00	\$358.00	\$345.00
SUBTOTAL - OPERATING EXPENSE	\$164,466.00	\$152,853.00	\$158,441.00	\$176,406.00	\$189,134.00
OPERATING INCOME	\$47,079.00	\$71,311.00	\$65,640.00	\$52,301.00	\$42,910.00
OTHER INCOME (EXPENSE)					
Interest Income	\$4,392.00	\$6,169.00	\$6,511.00	\$6,348.00	\$6,696.00
Interest - Long Term Debt	(\$29,254.00)	(\$28,100.00)	(\$26,789.00)	(\$25,577.00)	(\$24,237.00)
SUBTOTAL - OTHER INCOME (EXPENSE)	(\$24,862.00)	(\$21,931.00)	(\$20,278.00)	(\$19,229.00)	(\$17,541.00)
NET INCOME (LOSS)	\$22,217.00	\$49,380.00	\$45,362.00	\$33,072.00	\$25,369.00

3.3. **Current Rates.**

The current rates and fees have been in effect since April 25, 1991 and are shown in Table 5.

**Table 5
HICKORY WATER DISTRICT
CURRENT RATES**

	BASIS OF CHARGE	3/4" Meters	1" Meter	1-1/2" Meter	2" Meter	3" & 4" Meter
First 2,000 Gallons	MINIMUM	\$6.50	--	--	--	--
First 6,000 Gallons	MINIMUM	--	\$16.60	--	--	--
First 7,500 Gallons	MINIMUM	--	--	\$19.60	--	--
First 15,000 Gallons	MINIMUM	--	--	--	\$32.85	--
First 100,000 Gallons	MINIMUM	--	--	--	--	\$119.60
Next 3,000 Gallons	/1000 GALS.	\$2.70	--	--	--	--
Next 2,500 Gallons	/1000 GALS.	--	--	\$2.00	--	--
Next 4,000 Gallons	/1000 GALS.	--	\$2.00	--	--	--
Next 5,000 Gallons	/1000 GALS.	\$2.00	--	--	\$1.65	--
Next 10,000 Gallons	/1000 GALS.	\$1.65	\$1.65	\$1.65	--	--
Next 30,000 Gallons	/1000 GALS.	\$1.20	\$1.20	\$1.20	\$1.20	--
Next 50,000 Gallons	/1000 GALS.	\$0.85	\$0.85	\$0.85	\$0.85	--
Over 100,000 Gallons	/1000 GALS.	\$0.70	\$0.70	\$0.70	\$0.70	\$0.70

Table 6 is an Analysis of Revenue Requirements showing that an increase in rates is necessary to meet the current requirements .

**Table 6
HICKORY WATER DISTRICT
ANALYSIS OF REVENUE REQUIREMENTS**

	1991	1992	1993	1994	1995
Operating Expenses	\$164,466.00	\$152,853.00	\$158,441.00	\$176,406.00	\$189,134.00
Average Annual Debt Service	\$61,000.00	\$62,306.00	\$62,095.00	\$60,838.00	\$61,500.00
20% Debt Service Coverage	\$12,200.00	\$12,461.20	\$12,419.00	\$12,167.60	\$12,300.00
TOTAL REVENUE REQUIREMENTS	\$237,666.00	\$227,620.20	\$232,955.00	\$249,411.60	\$262,934.00
Operating Revenue From Audit	\$211,545.00	\$224,164.00	\$224,081.00	\$228,707.00	\$232,044.00
REQUIRED INCREASE IN REVENUE	\$26,121.00	\$3,456.20	\$8,874.00	\$20,704.60	\$30,890.00
WATER SALES:					
Water Sales From Audit	\$207,304.00	\$219,625.00	\$219,226.00	\$223,926.00	\$226,553.00
Required Increase In Revenue	\$26,121.00	\$3,456.20	\$8,874.00	\$20,704.60	\$30,890.00
AMOUNT REQ'D FROM SALES	\$233,425.00	\$223,081.20	\$228,100.00	\$244,630.60	\$257,443.00

4. SYSTEM INVENTORY:

4.1. Supply.

Hickory Water District operates a 0.936 MGD (650 GPM) ground water treatment plant located in the community of Hickory, Kentucky. The plant was constructed around 1966 and currently consists of a treatment plant building for housing the chemical feed equipment used for pH adjustment and the disinfection equipment. The system is supplied with 3 wells located on site and these pump raw water through the plant for treatment and directly into a 125,000 gallon elevated tank (pedosphere). The source of supply is considered very good and water shortage is not a concern.

Plant structures are in relatively good condition. The District continues to work closely with Kentucky Division Of Water to comply with all State and Federal regulations and operate the plant as efficiently as possible.

The District's office is also located at this site and is used for administration duties such as collection, record keeping, etc.

4.2. Distribution System.

Approximately 85% of the distribution system is made up of 8 inch and 6 inch mains. These mains are predominately asbestos cement but all recently installed lines are PVC. Approximately 10% of the system is serviced by 4 inch mains while the remaining system consists of 2 inch and smaller lines. Although fire hydrants are located throughout the system, it is not capable of providing fire flows in accordance with PSC's requirements.

Pressure throughout the system is maintained by the 125,000 gallon elevated tank (pedosphere) located at the water treatment plant.

The overall system map on Page 11 shows the piping configuration for the District.

4.3. Pumping Facilities.

Other than the well pumps at the treatment plant there is only one booster station in the District. This station is located at Pottsville, Ky. On Ky. Hwy. 408. This station was originally designed to help fill the Ky. Hwy. 121 tank but has to be operated manually. It is used only during high demand periods.

4.4. Storage Facilities.

The District has 3 elevated storage facilities. The total storage capacity for the system is 300,000 gallons. Table 7 gives a summary of each tank's capacity.

**Table 7
HICKORY WATER DISTRICT
SUMMARY OF STORAGE FACILITIES**

Tank Name	Type	Capacity, Gallons	Overflow Elevation
WTP	Pedosphere	125,000	600'
Hwy. 121	Pedosphere	100,000	600'
Lowes	Pedosphere	75,000	575'

5. **FLOWS:**

Flows created by existing users were considered in two different ways. The first was to consider the theoretical demand based on design criteria of 300 GPD per customer for residential users. The second was to analyze the system, based on actual water sold and the water loss as compared to the master meter readings.

Flows for existing users are summarized in Table 8.

**Table 8
HICKORY WATER DISTRICT
FLOWS FOR EXISTING USERS**

	DAILY AVERAGES (Average Use Day)					MAXIMUM DAY (150%)			THEORETICAL PER CUST.			
	Avg. Water Sold GPD	20% Estimated Loss Of Water GPD	Avg. Water Produced GPD	Rate In 24 Hr. Period GPM	Rate In 18 Hr. Period GPM	Daily Water Produced	Rate In 24 Hr. Period GPM	Rate In 18 Hr. Period GPM	Customers	Avg. Daily Demand GPD	Avg. Daily Rate GPM	Max. Daily Rate GPM
South System	96,426	19,335	115,761	80	121	173,641	121	181	266	79,800	55	83
North System	214,038	42,918	256,956	178	268	385,434	268	401	883	264,900	184	276
Total System	310,464	62,253	372,717	259	388	559,075	388	582	1,149	344,700	239	359

Actual records of water produced during 1995 are shown in Table 9.

**Table 9
HICKORY WATER DISTRICT
RECORD OF WATER PRODUCED - 1995**

	Gal. Pumped	ADF	Rate
January	10,007,000	322,806	224.2
February	9,488,000	338,857	235.3
March	11,217,000	361,839	251.3
April	10,279,000	342,633	237.9
May	9,925,000	320,161	222.3
June	13,891,000	463,033	321.6
July	15,616,000	503,742	349.8
August	11,423,000	368,484	255.9
September	15,627,000	520,900	361.7
October	13,090,000	422,258	293.2
November	11,009,000	366,967	254.8
December	10,162,000	327,806	227.6
Total	141,734,000		
Maximum		520,900	361.7
Average		388,312	269.7
Minimum		320,161	222.3

6. SYSTEM DEFICIENCIES:

The system has been analyzed from a hydraulic standpoint and has identified several areas of need as follows:

6.1. Distribution Facilities.

There are several areas of the District that have occurrences of pressures below 30 psi during even moderate flow demands. Probably the biggest concern is the area immediately North of Mayfield along Ky. Hwy. 121. This area has seen fairly rapid growth in recent years and has experienced low pressures during peak demand periods. The Ky. Hwy. 121 tank is at the same elevation as the WTP tank, but due to it's distance from the tank in conjunction with the smaller mains, it does not remain full. The water level in this tank stays approximately 10 below the overflow elevation. Fire protection is also a major concern in this area because of the schools but cannot be provided on a consistent basis without adversely affecting the pressures elsewhere.

There are other areas within the District that have intermittent low pressure problems. These basically stem from the higher ground elevations and not small mains feeding the areas.

6.2. Pumping Facilities.

The only booster pumping station in the District is located at Pottsville and it has adequate capacity to fill the Hwy. 121 tank. If this station were to be used in the future, radio telemetry equipment would be needed to provide automatic operation.

6.3. Storage Facilities.

PSC requires that all Districts provide enough storage of treated water to satisfy the average daily demand. The District is currently producing an average daily flow of approximately 390,000 GPD but only has 300,000 gallons of available storage. The construction of additional storage facilities has been mandated by PSC and the District is to comply with this mandate no later than December 31, 2000.

The WTP Tank is in a good state of repair, as it was repainted only a few years ago. The remaining tanks however need to be repaired and painted immediately. The Lowes tank is probably in the worst condition.

7. LONG RANGE PLAN:

Several alternatives have been studied to meet the District's long term objectives. A brief discussion follows:

Alternative A: This alternative calls for abandonment of the existing treatment facility and purchasing all water from the City Of Mayfield. The WTP Tank and the Ky. Hwy. 121 Tank would be abandoned and a new 500,000 gallon elevated tank would be constructed at Industrial Park No. 3. The overflow elevation of the new tank would be the same as that of the Mayfield Tank.

New lines would be required from Industrial Park No. 3 to Mayfield and a radio controlled valve installed in line that feeds the community of Lowes. The Pottsville booster station would be abandoned and the Lowes tank repaired and painted as required. The community of Lowes would operate at a different pressure than the remaining system.

This alternative would provide fire flows of 500 GPM to the District at a minimum pressure of 30 psi and even greater fire flows at Industrial Park No. 3.

Alternative B: This alternative calls for construction of a new 500,000 gallon elevated tank at Industrial Park No. 3 and installation of new high service pumps at the plant site to fill the new tank. The overflow elevation of the new tank would be the same as that of the Mayfield Tank and a connection would be made to the City's system to serve as an alternative supply. The existing WTP tank would remain in service as a clearwell and the Ky. Hwy. 121 tank would be abandoned.

New lines would be required from Industrial Park No. 3 to the water treatment plant and a radio controlled valve installed in line that feeds the community of Lowes. The Pottsville booster station would be abandoned and the Lowes tank repaired and painted as required. The community of Lowes would operate at a different pressure than the remaining system.

This alternative would provide fire flows of 500 GPM to the District at a minimum pressure of 30 psi and even greater fire flows at Industrial Park No. 3.

Alternative C: This alternative calls for splitting the District into a third pressure zone to be served by the City Of Mayfield. This South Zone would operate at the same pressure as the City and a new 200,000 gallon tank would be required to meet PSC's storage requirements.

The Northern zone would continue to operate at the same pressure it operates at today. The existing WTP Tank and Ky. Hwy. 121 Tank would not be abolished but repaired and painted as required.

New lines would be required from Industrial Park No. 3 to the water treatment plant and a radio controlled valve installed in line that feeds the community of Lowes. The Pottsville booster station would be abandoned and the Lowes tank repaired and painted as required.

This alternative would not provide fire flows of 500 GPM to all parts of the District. Storage requirements within the Northern zone would be met but growth would be limited. High fire flows at Industrial Park No. 3 would be difficult to obtain.

From an economic standpoint each of the above alternatives are about the same. After careful consideration of the advantages of each, Alternative B was selected as the best for the District. This alternative provides additional storage for growth throughout the District; sufficient pressures to support fire flows; and, an emergency source of supply with the connection to Mayfield.

8. PROPOSED IMPROVEMENTS:

Remington Arms, Inc. is building an 80,000 square foot facility in Industrial Park No. 3. Plant officials have indicated that initially Remington will require about 15,000 GPD and that they hope to double that demand in the near future. The District has adequate capacity to serve the facility and a daily basis. However, Remington has also indicated a fire flow requirement of 1250 GPM and the District is not capable of delivering this on a consistent basis without adversely affecting the pressures of existing customers.

For the immediate future the District proposes to install a new 500,000 gallon elevated tank at Industrial Park No. 3. The location and size of the tank not only satisfies the needs of the entire District, but also opens up the Industrial Park for future development. Abandonment of the Ky. Hwy. 121 Tank will be required along with installation of a new 12" main to the water treatment plant. Figure 3 on Page 22 shows the proposed improvements.

The typical life for mains is 50 years while that of structures is 40 years. The design of the proposed facilities will be based on a 20 year growth projection.

9. PROJECT IMPLEMENTATION:

It is estimated that design of the project will take approximately 6 months and final approval from all agencies will take an additional 3 months. Construction will last approximately 12 months although work will not be continuous through this time period.

Upon final design, Plans and Specifications will be submitted to the Kentucky Division Of Water for review and issuance of a construction permit. Subsequently, an application will be submitted to the Public Service Commission for issuance of a Certificate Of Public Convenience And Necessity. After receipt of all permits and approvals the proposed Work will be advertised for bids and the project will be awarded to the lowest responsible, responsive bidder.

The Project will be set out in two Contracts. One will be responsible for installation of the water mains and appurtenances, including pumps, valves, electrical equipment etc. The second Contract will be responsible for erection of the new tank and related appurtenances as well as demolition of the existing Ky. Hwy. 121 tank.

10. PROJECT COSTS:

A breakdown of Project Costs for the proposed improvements is shown in Table 10 on Page 23. This information shows an estimate of construction, technical, financing, and administrative costs associated with the proposed improvements.

11. SOURCE OF FUNDING:

As shown in Table 10 on Page 23 the project will be funded by a \$500,000 grant from the Kentucky Department Of Commerce and with a loan administered through the Kentucky Infrastructure Authority. The user charges will be increased as required to generate enough revenue to pay the annual debt service. All increases will require PSC approval.

12. CONSTRUCTION PROBLEMS:

No major construction problems are anticipated. The project will not be affected by a high water table and there are no known extensive rock formations in the area. The only difficulties which will be encountered are those associated with existing underground utilities.

13. ENVIRONMENTAL EFFECTS:

Land for the proposed facilities does not have a higher priority use and there will be no displacement of households, businesses or any buildings. The quality of both groundwater and surface water will not be diminished in any way by the proposed facilities and there will be no adverse effects on the topography, climate or soil.

No marketable timber will be affected by the project and there are no known unique or endangered plant or animal species in the area. Minor local noises and air pollution will result from construction but shall be minimized by construction methods and will not be objectionable. There will be no reduction in the value of adjacent property and no adverse effects on the recreational potential of the area.

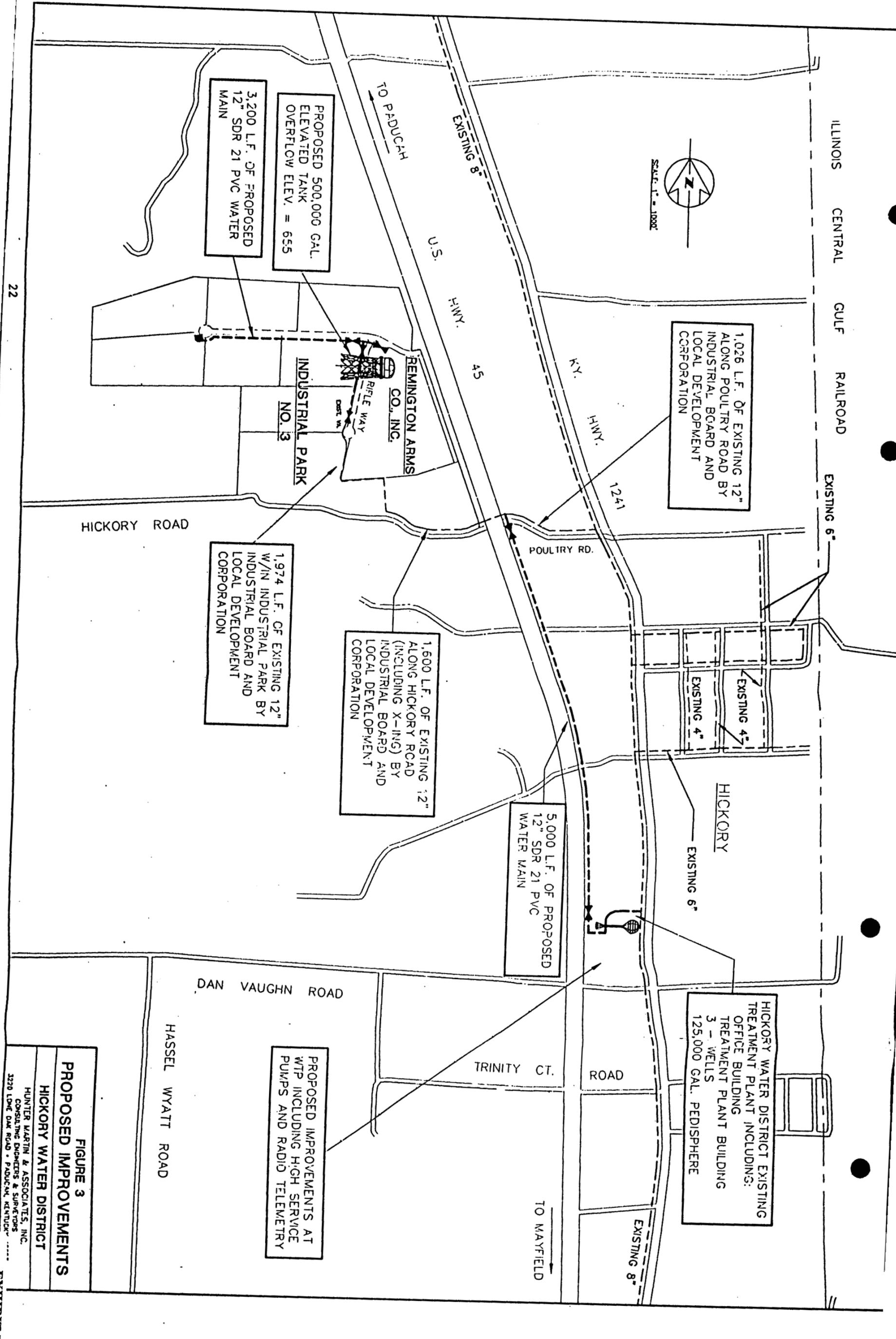


FIGURE 3
PROPOSED IMPROVEMENTS
HICKORY WATER DISTRICT

HUNTER MARTIN & ASSOCIATES, INC.
CONSULTING ENGINEERS & SUPERVISORS
3220 LONE OAK ROAD - PADUCHA, KENTUCKY

**Table 10
HICKORY WATER DISTRICT
PRELIMINARY PROJECT COSTS**

	Quantity	Units	Unit Cost	Subtotal	TOTAL	EDA SHARE 53.94%	KIA SHARE 46.06%
CONSTRUCTION COSTS:							
Inside Industrial Park:							
12 Inch PVC, Class 200	3,200	LF	\$16.00	\$51,200.00			
Ductile Iron	1,000	Lbs.	\$2.75	\$2,750.00			
12 Inch Valves	4	Ea.	\$1,100.00	\$4,400.00			
Tie - Ins	1	Ea.	\$400.00	\$400.00			
Crushed Stone	25	CY	\$25.00	\$625.00			
500,000 Gal. Elevated Tank	1	LS	\$535,000.00	\$535,000.00			
Miscellaneous	1	LS	\$13,150.00	\$16,000.00			
Outside Industrial Park:							
12 Inch PVC, Class 200	5,000	LF	\$16.00	\$80,000.00			
Ductile Iron	1,000	Lbs.	\$2.75	\$2,750.00			
12 Inch Valves	2	Ea.	\$1,100.00	\$2,200.00			
Tie - Ins	1	Ea.	\$400.00	\$400.00			
Crushed Stone	25	CY	\$25.00	\$625.00			
Pressure Reducing Valve	3	Ea.	\$3,500.00	\$10,500.00			
High Service Pumps w/ Radio Telemetry	1	LS	\$35,000.00	\$35,000.00			
Abandon Existing Hwy. 121 Tank	1	LS	\$10,000.00	\$10,000.00			
Miscellaneous	1	LS	\$14,000.00	\$15,500.00			
SUBTOTAL - CONSTRUCTION				\$767,350.00	\$767,400.00	\$413,915.86	\$353,484.14
TECHNICAL							
Basic	7.8838%	Construction	\$60,500.00				
Through Contract Award			80.00%	\$48,400.00			
During Construction			20.00%	\$12,100.00			
Inspection (Part - Time As Needed)				\$19,000.00			
Extra (Soil Testing, Critical Phase Insp.)				\$19,000.00			
Surveys				\$500.00			
Easements/Permits/Right-Of-Way				\$500.00			
Soil Investigation				\$2,500.00			
Critical Phase Inspection				\$4,500.00			
Financing Assistance				\$2,500.00			
PSC Rate & Construction Case				\$5,000.00			
Hydraulic Analysis				\$5,000.00			
Subtotal - Extra				\$20,500.00			
SUBTOTAL - TECHNICAL				\$100,000.00	\$100,000.00	\$53,937.43	\$46,062.57
INTEREST DURING CONSTRUCTION	1	LS		\$5,681.76	\$5,682.00	\$3,064.72	\$2,617.28
ADMINISTRATIVE	1	LS		\$7,500.00	\$7,500.00	\$4,045.31	\$3,454.69
LAND, STRUCTURES, R.O.W., APPRAISALS	1	LS		\$500.00	\$500.00	\$269.69	\$230.31
RELOCATION EXPENSES & PAYMENTS	1	LS		\$500.00	\$500.00	\$269.69	\$230.31
CONTINGENCIES	4.8995%	Of Project Costs	—	\$45,418.00	\$45,418.00	\$24,497.30	\$20,920.70
TOTAL PROJECT COSTS					\$927,000.00	\$500,000.00	\$427,000.00
Per Cent Of Project						53.94%	46.06%

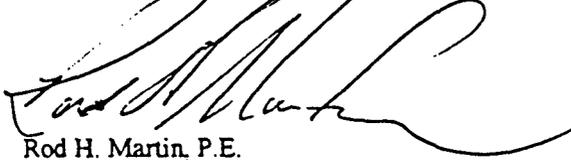
14. **CONCLUSIONS AND RECOMMENDATIONS:**

The foregoing report has been prepared for use by the Hickory Water District Board Of Commissioners, the Economic Development Administration, the Public Service Commission, the Kentucky Infrastructure Authority and the Kentucky Division Of Water for review, comments and approval of the proposed improvements. This report is intended to provide a comprehensive analysis of the proposed improvements and provide cost estimates that are realistic.

We trust that you will find this report complete in every respect and that it meets the planning and financial needs of the District.

Respectfully Submitted,

HUNTER MARTIN & ASSOCIATES, INC.



Rod H. Martin, P.E.



"Established 1952"

HUNTER MARTIN & ASSOCIATES, INC.

ENGINEERS & SURVEYORS

3220 LONE OAK ROAD * PADUCAH, KENTUCKY 42003
(502) 554-2737 * FAX (502) 554-2738

RECEIVED HUNTER MARTIN (1924 - 1997)
Founder

APR 22 1999

ROD H. MARTIN, P.E./S.
President

MICHAEL GARDNER
Vice President

PUBLIC SERVICE COMMISSION BETTY J. GARDNER
Secretary/Treasurer

April 20, 1999

Honorable Helen C. Helton, Executive Director
Public Service Commission
P. O. Box 615
730 Schenkel Lane
Frankfort, KY 40601

Dear Ms. Helton:

RE: HICKORY WATER DISTRICT, GRAVES COUNTY, KENTUCKY - CASE NO. 99-084

Pursuant to your letter of April 7, 1999, regarding filing deficiencies, we are submitting herewith the original and 10 copies of the following:

LIST OF EXHIBITS

- EXHIBIT M1 - Depreciation Schedule by Major Plant Accounts
- EXHIBIT M2 - Additional Notes for Pro Forma Adjustment Reflecting Plant Additions

If you have any questions or need additional information, please do not hesitate to contact us.

Yours very truly,

HUNTER MARTIN & ASSOCIATES, INC.

Rod H. Martin, P.E.

RHM:dc

Enclosures

cc: Parties of Record

HICKORY WATER DISTRICT
HICKORY, GRAVES CO., KY
PARTIES OF RECORD

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PUBLIC SERVICE
COMMISSION

April 20, 1999

Honorable Helen C. Helton, Executive Director
Kentucky Public Service Commission
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P. O. Box 615
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Mr. Rod H. Martin, P.E.
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Paducah, KY 42003

Brad Davis
Purchase Area Development District
1002 Medical Drive
Mayfield, KY 42066

PARTIES OF RECORD

Page 1 of 1

HICKORY WATER DISTRICT
GRAVES COUNTY, KENTUCKY

PSC CASE NO. 99-084
IN THE MATTER OF THE APPLICATION FOR:
(1) CONSTRUCTION, (2) FINANCING AND (3) RATES

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COMMISSION

LIST OF SUBMITTALS

April 20, 1999

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Reed & Co., P.S.C. - Certified Public Accountants

231 North Seventh Street • P.O. Box 404 • Mayfield, Kentucky 42068 • Phone (502)247-5303

TELEFAX TRANSMITTAL COVERSHEET

FAX NUMBER: 502-247-5327

DATE: 4/16/99 FAX #: 551-2738

TOTAL NUMBER OF PAGES TO FOLLOW: 6
(Does Not Include Coversheet)

TO: NAME: ROD MARTIN

FROM: NAME: TAMMY WARREN

SUBJECT: HICKORY WATER DISTRICT
Depreciation Schedule

The totals trace into the PSC Report
(copies attached).

Questions - call Monday - 4/19
We've taken a holiday - Accountants
Holiday today - I came in just to
finish this schedule so you can
review. CALL if any questions or if
you need me to MAIL ORIGINALS.

TRANSMITTED BY: JW
REED & CO., P.S.C.

HICKORY WATER DISTRICT
DEPRECIATION REPORT

ACCT NO.	PLANT ACCOUNT NAME	Date Acquired	Cost	Deprec Rate	1998	
					Deprec Amount	Accum Deprec
303.1	Land & Rights	1978-85	16,898.07			
303.2	Land & Rights-treatment plant		1,010.85			
303.3	Land-general plant		4,507.90			
			22,416.82			
304 STRUCTURES & IMPROVEMENTS						
	Office Building	3/1/67	19,210.73	5.00%		19,210.73
	Final Engineering	1967	54.56	5.00%		54.56
	Remodeling	1977	11,531.13	5.00%		9,224.96
	Water Treatment Plant	11/94	65,619.51	5.00%	3,280.98	13,670.74
	Water Treatment Plant-addit'l	1/95-5/95	9,712.05	5.00%	485.60	1,942.40
	New Roof-Office Bldg	3/6/97	988.65	5.00%	49.43	90.63
	Engineering	1/10/97	6,969.00	5.00%	348.45	696.90
			114,085.63		4,164.46	44,890.92
307 WELLS & SPRINGS						
	New pump	3/1/67	39,643.30	5.00%		39,643.30
	Well #3	3/85	6,984.00	5.00%	349.20	4,801.00
	Repair-west well	1987	79,472.00	5.00%	3,973.56	47,682.72
	Repair-Well #3	10/94	12,211.00	5.00%	610.55	2,594.84
	Repair-Well #3	12/30/97	10,000.00	5.00%	500.00	500.00
		1/9/98	3,445.00	5.00%	172.25	172.25
			151,755.30		5,605.56	95,394.11
311 PUMPING EQUIPMENT						
	New pump	11/9/89	6,673.00	5.00%	333.65	3,169.68
	New pump-parts	1/31/90	2,000.00	5.00%	100.00	891.66
	Pump	12/31/90	142.34	5.00%	7.10	56.88
	Pump fchlorination system	2/28/93	424.98	5.00%	21.24	123.90
	Pump-parts	4/30/93	1,888.29	5.00%	94.41	534.99
	Chemical pump	2/94	119.61	5.00%	5.98	29.40
	Pumping equipment	4/96	764.25	5.00%	41.39	108.26
	Pumping equipment	5/1/97	604.45	5.00%	38.21	58.37
	Pumping equipment	3/4/98	1,747.00	5.00%	72.79	72.79
			14,363.92		714.77	5,045.93

HICKORY WATER DISTRICT
DEPRECIATION REPORT

ACCT NO.	PLANT ACCOUNT NAME	Date Acquired	Cost	Deprec Rate	1998	
					Deprec Amount	Accum Deprec
320	WATER TREATMENT EQUIPMENT	3/1/67	6,069.77	5.00%		6,069.77
	Water Treatment Equipment	9/11/81	1,800.00	5.00%	90.00	1,560.00
	#60 Well Pump	8/88	3,952.04	5.00%	197.60	2,074.81
	Chlorination system	6/1/93	5,098.26	5.00%	254.91	1,423.24
	Lime feeder & motor	12/1/93	5,391.79	5.00%	269.58	1,370.36
	Damages	12/30/93	(200.00)	5.00%	(10.00)	(50.00)
	Scales, pump, solenoid, strainer, etc.	8/94	3,941.53	5.00%	197.07	870.40
	Electrical materials f/chlorination system	9/94	11,554.20	5.00%	577.71	2,503.41
	Air Pallet Truck	10/94	602.63	5.00%	30.13	128.05
	2 lime feeders	2/21/95	550.00	5.00%	27.50	110.00
	Pump-parts	3/14/95	1,611.49	5.00%	80.57	322.28
	Timer	9/11/95	204.13	5.00%	10.21	40.84
	Equipment	1/1/96	78.00	5.00%	4.00	11.85
	Cleaning of Well #3	12/30/97	2,886.00	5.00%	144.30	144.30
			43,539.84		1,873.58	16,579.31
330	DISTRIBUTION RESERVOIRS (TANKS)	3/1/67	127,157.89	5.00%		127,157.89
	Final engineering	1967	268.63	5.00%		268.63
	2 electric heaters & installation	1979	1,304.91	5.00%	65.16	1,304.91
	Painting & cleaning 2 towers	1979	21,544.00	5.00%	1,077.20	21,544.00
	Lightning damage	1984	(1,389.35)	5.00%	(69.47)	(1,042.04)
	New tower, engineering, legal	1984	145,645.29	5.00%	7,282.26	109,233.90
	Painting-Lowes water tank	12/1/97	53,075.00	5.00%	2,653.75	2,874.90
	Engineering services-repairs-painting	10/14/97	4,460.00	5.00%	223.00	269.46
			352,066.37		11,231.90	261,611.65
331	TRANSMISSIONS & DISTRIBUTION MAINS	1967	635,992.32	2.00%	12,719.84	404,892.43
	trans. & distrib. mains added to system	1968-84	203,436.84	2.00%	4,068.66	86,875.13
	Lowes construction	1984	383,364.51	2.00%	7,667.00	114,977.00
	Graves Co High School construction	1985	16,958.94	2.00%	339.18	4,627.39
	additional trans & distrib mains	1990-92	2,243.00	2.00%	44.86	403.86
	8" main relocation-Hwy 408	9/30/93	14,167.44	2.00%	283.34	1,487.53
	Whispering Oaks Subdivision-construction	1/94	24,953.00	2.00%	499.06	2,561.10

HICKORY WATER DISTRICT
DEPRECIATION REPORT

ACCT NO.	PLANT ACCOUNT NAME	Date Acquired	Cost	Deprec Rate	Deprec Amount	Accum Deprec	1998
	Transmissions & distrib. mains (continued)						
	Whispering Oaks Subdivision-construction	4/94	2,620.00	2.00%	52.40	248.90	
	Whispering Oaks Subdivision-construction	6/94	458.00	2.00%	9.16	41.22	
	Damages	10/95	(723.00)	2.00%	(14.46)	(79.53)	
	8" main-GC Middle School	3/29/96	5,080.00	2.00%	101.60	279.40	
	8" main-Keystone Park	4/11/96	18,990.00	2.00%	379.80	1,028.63	
	Engineering services for Keystone Park	5/11/96	2,100.00	2.00%	42.00	110.25	
	8" main-Crouch Business Park	5/1/96	6,100.00	2.00%	122.00	325.33	
	Engineering services for Crouch Business Park	5/11/96	1,500.00	2.00%	30.00	78.75	
	Engineering services for Whispering Oaks Subdiv	5/10/96	112.50	2.00%	2.25	5.91	
	Main Extension-Graves Co Industrial Park	7/30/96	107,397.50	2.00%	2,147.95	5,190.88	
	Main Extension -Graves Co Industrial Park	9/12/96	16,298.42	2.00%	325.97	747.01	
	Main extension-Graves Co. Industrial Park No. 3	2/12/97	6,459.08	2.00%	129.18	247.65	
	Damages-main extension- GC Indust. PK No. 3	7/97	(1,475.80)	2.00%	(29.52)	(59.04)	
	Engineering services-Hwy 121 Truck Route	11/98	5,500.00	2.00%	13.75	13.75	
	Relocation of mains-Hwy 121 Truck Route	11/98	25,064.00	2.00%	83.55	83.55	
	Engineering services-TVA Project	12/24/98	1,598.50	2.00%	0.00	0.00	
	KY DOT Project-Engineering & Construction	12/31/98	31,425.95	0.02	0.00	0.00	
			1,509,621.20		29,017.57	624,087.10	
333	SERVICE LINES	1967-1996	92,336.07	5.00%	738.68	86,013.07	
			92,336.07		738.68	86,013.07	
334	METERS & INSTALLATIONS-prior accl. no.	1967-1988	69,279.18	2.50%	1,731.98	32,685.80	
			69,279.18		1,731.98	32,685.80	
334.1	METERS & INSTALLATIONS-current acct	1967-1997	223,199.81	2.50%	5,579.97	72,010.96	
	meters & installations	1998	16,596.90	2.50%	396.47	396.47	
			239,796.71		5,976.44	72,407.43	

HICKORY WATER DISTRICT DEPRECIATION REPORT						
ACCT NO.	PLANT ACCOUNT NAME	Date Acquired	Deprec Rate	Deprec Amount	Accum Deprec	1998
						Cost
335	FIRE MAINS (hydrants)	1967-97	5.00%	1,931.26	61,503.61	
340	FURNITURE/FIXTURES	1970-96	10.00%	131.31	3,677.81	
TOTAL PROPERTY, PLANT & EQUIPMENT						63,117.51 1,303,896.74

PSC
REPORT

ANALYSIS OF ACCUMULATED DEPRECIATION AND AMORTIZATION BY PRIMARY ACCOUNT

ACCT. NO. (a)	ACCOUNT (b)	BALANCE BEGINNING OF YEAR (c)	CREDITS DURING THE YEAR CHARGES TO DEP. EXP. (d)	OTHER CREDITS (e)	CHARGES DURING THE YEAR PLANT RETIREMENTS (f)	OTHER CHARGES (g)	BALANCE END OF YEAR (h)
301	Organization.....	\$	\$	\$	\$	\$	\$
302	Franchises.....						
303	Limited Term Interest in Land and Land Rights.....						
304	Structures & Improvements..	40,726	4,164				44,890
305	Collecting and Impounding Reservoirs.....						
306	Lake River & Other Intakes.						
307	Wells and Springs.....	89,789	3,603				95,394
309	Supply Mains.....						
310	Power Generating Equipment.						
311	Pumping Equipment.....	4,331	715				5,046
320	Water Treatment Equipment..	14,705	1,874				16,579
330	Distribution Reservoirs and Standpipes.....	250,380	11,232				261,612
331	Transmissions & Distribution Mains.....	595,070	29,018				624,088
333	Services.....	85,275	739				86,014
334	Meters and Meter Installations.....	97,385	7,708				105,093
335	Hydrants.....	59,572	1,931				61,503
339	Other Plant & Miscellaneous Equipment.....	3,547	131				3,678
340	Office Furniture and Equip.						
341	Transportation Equipment...						
343	Tools, Shop & Garage Equip.						
345	Power Operated Equipment...						
348	Other Tangible Plant.....						
	TOTALS	\$ 1,240,780	\$ 63,117	\$	\$	\$	\$ 1,303,897

*PSC
Report*

WATER UTILITY PLANT ACCOUNTS

ACCT. NO. (a)	ACCOUNT NAME (b)	PREVIOUS YEAR (c)	ADDITIONS (d)	RETIREMENTS (e)	CURRENT YEAR (f)
301	Organization.....	\$	\$	\$	\$
302	Franchises.....				
303	Land and Land Rights.....	22,417			22,417
304	Structures & Improvements..	114,086			114,086
305	Collecting and Impounding Reservoirs.....				
306	Lake River & Other Intakes.				
307	Wells and Springs.....	148,310	3,445		151,755
309	Supply Mains.....				
310	Power Generation Equipment.				
311	Pumping Equipment.....	12,617	1,747		14,364
320	Water Treatment Equipment..	43,540			43,540
330	Distribution Reservoirs & Standpipes.....	352,066			352,066
331	Transmission & Distribution Mains.....	1,446,032	63,589		1,509,621
333	Services.....	92,336			92,336
334	Meters and Meter Installations.....	292,479	16,597		309,076
335	Hydrants.....	64,376			64,376
339	Other Plant & Miscellaneous Equipment.....				
340	Office Furniture and Equip.	4,597			4,597
341	Transportation Equipment...				
343	Tools, Shop and Garage Eq..				
345	Power Operated Equipment...				
348	Other Tangible Plant.....				
	Total Water Plant.....	\$ 2,592,856	\$ 85,378	\$	\$2,678,234

HICKORY WATER DISTRICT

GRAVES COUNTY, KENTUCKY

PSC CASE NO. 99-084

EXHIBIT M2

ADDITIONAL NOTES FOR PRO FORMA ADJUSTMENT REFLECTING PLANT ADDITIONS

ABANDON HIGHWAY 121 PEDESPHERE:

1. Starting Date:

Estimated time to begin this portion of the work is December, 1999.

2. In Service Date:

Time for completion of the removal of the tank is 2 weeks.

3. Description:

The existing pedesphere shall be abandoned after installation and startup of the proposed elevated tank and high service pumps.

4. Original Cost:

See Exhibit M1.

5. Cost for Removal:

The cost for removal is \$15,000.00 as shown on the Bid Tabulation shown in Exhibit K5.

6. Salvage:

The salvage value is included in the unit price bid for removal, as shown on the Bid Tabulation in Exhibit K5.

7. Impact on Depreciation Expense:

The impact on depreciation expense is shown on the pro forma adjustment.

NEW ELEVATED TANK:

1. Starting Date:

The starting date for construction is anticipated for June, 1999.

2. In Service Date:

The tank is anticipated to be in service by December, 1999.

3. Estimated Cost:

The estimated Construction Cost for the new tank is \$502,800.00.

4. Description:

Installation of this tank will allow the removal of the Highway 121 pedesphere as described above.

5. Impact on Depreciation Expense:

The impact on depreciation expense is shown on the pro forma adjustment.

PUMPS, PIPING AND ELECTRICAL:

1. Starting Date:

The starting date for construction is anticipated for June, 1999.

2. In Service Date:

This item is anticipated to be in service by December, 1999.

3. Estimated Cost:

The estimated Construction Cost for pumps, piping and electrical is \$55,300.00.

4. Description:

Installation of these items will not cause the removal of any existing equipment.

5. Impact on Depreciation Expense:

The impact on depreciation expense is shown on the pro forma adjustment.

NEW DISTRIBUTION MAINS:

1. Starting Date:

The starting date for construction is anticipated for June, 1999.

2. In Service Date:

This item is anticipated to be in service by December, 1999.

3. Estimated Cost:

The estimated Construction Cost for pumps, piping and electrical is \$168,000.00.

4. Description:

Installation of these items will not cause the removal of any existing equipment.

5. Impact on Depreciation Expense:

The impact on depreciation expense is shown on the pro forma adjustment.

BUILDING ADDITION:

1. Starting Date:

The starting date for construction is anticipated for June, 1999.

2. In Service Date:

This item is anticipated to be in service by December, 1999.

3. Estimated Cost:

The estimated Construction Cost for pumps, piping and electrical is \$31,200.00.

4. Description:

Installation of these items will not cause the removal of any existing equipment.

5. Impact on Depreciation Expense:

The impact on depreciation expense is shown on the pro forma adjustment.



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION

730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

April 23, 1999

To: All parties of record

RE: Case No. 99-084
HICKORY WATER DISTRICT

The Commission staff has reviewed your response of April 15, 1999 and has determined that your application in the above case now meets the minimum filing requirements set by our regulations. Enclosed please find a stamped filed copy of the first page of your filing. This case has been docketed and will be processed as expeditiously as possible.

If you need further information, please contact my staff at 502/564-3940.

Sincerely,

A handwritten signature in cursive script that reads "Stephanie Bell".

Stephanie Bell
Secretary of the Commission

SB/sh
Enclosure

Honorable Gayle B. Robbins
Attorney at Law
101 South 7th Street
Mayfield, KY. 42066

Kentucky Infrastructure Authority
261 Capitol Annex
Frankfort, KY. 40601

Reed & Company, CPA
231 North 7th Street
Mayfield, KY. 42066

Attorney General
Utility Intervention & Rate Division
P. O. Box 2000
Frankfort, KY. 40601

Mr. Robert H. Sullivan
Chairman
Hickory Water District
P. O. Box 128
Hickory, KY. 42051

Mr. Rod H. Martin
Hunter Martin & Associates, Inc.
3220 Lone Oak Road
Paducah, KY. 42003

Brad Davis
Purchase Area Development District
1002 Medical Drive
Mayfield, KY. 42066

FILED

APR 15 1999

PUBLIC SERVICE
COMMISSION

March 9, 1999

RECEIVED

MAR 10 1999

PUBLIC SERVICE
COMMISSION

Honorable Helen C. Helton, Executive Director
Public Service Commission
P. O. Box 615
730 Schenkel Lane
Frankfort, KY 40602

Case 99-084

Dear Ms. Helton:

RE: HICKORY WATER DISTRICT, GRAVES COUNTY, KENTUCKY - IN THE MATTER OF THE APPLICATION OF HICKORY WATER DISTRICT FOR: (1) ISSUANCE OF A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY FOR CONSTRUCTION OF THE 1998 INDUSTRIAL PARK WATER SYSTEM IMPROVEMENTS; (2) AUTHORIZATION TO BORROW \$528,000 FROM KENTUCKY INFRASTRUCTURE AUTHORITY; AND (3) AUTHORIZATION TO RAISE RATES TO PAY FOR THE ADDITIONAL INDEBTEDNESS

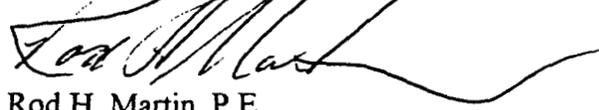
We are pleased to submit herewith the original and ten copies of the Application and Exhibits (as shown in the List of Submittals) dated March 9, 1999.

Copies of the Application and Exhibits are also being forwarded to all Parties of Record (attached). Please note that three copies of Exhibits J1 and J2 are being forwarded to your office only since they are engineering documents.

If you have any questions or need any additional information, please feel free to contact me.

Yours very truly,

HUNTER MARTIN & ASSOCIATES, INC.


Rod H. Martin, P.E.

RHM:dc

Enclosures



"Established 1952"

HUNTER MARTIN & ASSOCIATES, INC.

ENGINEERS & SURVEYORS

3220 LONE OAK ROAD * PADUCAH, KENTUCKY 42003
(502) 554-2737 * FAX (502) 554-2738

HUNTER H. MARTIN (1924 - 1997)
Founder

ROD H. MARTIN, P.E./L.S.
President

MICHAEL GARDNER
Vice President

BETTY J. GARDNER
Secretary/Treasurer

April 13, 1999

Honorable Helen C. Helton, Executive Director
Public Service Commission
P. O. Box 615
730 Schenkel Lane
Frankfort, KY 40601

RECEIVED
APR 15 1999
PUBLIC SERVICE
COMMISSION

Dear Ms. Helton:

RE: HICKORY WATER DISTRICT, GRAVES COUNTY, KENTUCKY - CASE NO. 99-084

Pursuant to your letter of April 7, 1999, regarding filing deficiencies, we are submitting herewith the following:

- EXHIBIT I1 - 1 Complete Set with Original Stamp and Signature (1 Copy of the Cover to all Parties of Record) - Final Engineering Report (After Bidding), November, 1998.
- EXHIBIT I2 - Original and 10 Sets (1 Full Copy to all Parties of Record) - Preliminary Engineering Report, December, 1996.

Additional information requested will follow shortly.

Yours very truly,

HUNTER MARTIN & ASSOCIATES, INC.

Rod H. Martin, P.E.

RHM:dc

Enclosures

cc: Parties of Record

HICKORY WATER DISTRICT
HICKORY, GRAVES CO., KY
PARTIES OF RECORD

April 12, 1999

Honorable Helen C. Helton, Executive Director
Kentucky Public Service Commission
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P. O. Box 615
Frankfort, KY 40602

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Hunter Martin & Associates, Inc.
3220 Lone Oak Road
Paducah, KY 42003

Brad Davis
Purchase Area Development District
1002 Medical Drive
Mayfield, KY 42066

HICKORY WATER DISTRICT
GRAVES COUNTY, KENTUCKY

99-084

PSC CASE NO. 99-084
 IN THE MATTER OF THE APPLICATION FOR:
 (1) CONSTRUCTION, (2) FINANCING AND (3) RATES

LIST OF SUBMITTALS

April 12, 1999

SUBMITTAL DATE		PAGES
3/9/99	Application	4
3/9/99	Parties of Record	1
	<u>EXHIBIT A</u>	
3/9/99	- Summary of Annual Debt Service Requirements For Long Term Debt	1
	<u>EXHIBIT B</u>	
3/9/99	- B1 - Current Rate Structure	1
3/9/99	- B2 - Proposed Rate Structure	1
3/9/99	- B3 - Proposed Tariff PSC No. 4	3
3/9/99	- B4 - Comparative Form of New and Old Tariffs	2
3/9/99	- B5 - Analysis Of Rate Increase	1
	<u>EXHIBIT C</u>	
3/9/99	- Agreement for Engineering Services No. 116 between the District and Hunter Martin & Associates, Inc. dated 8/28/97	24
	<u>EXHIBIT D</u>	
REV. 3/11/99	- D1 - Summary Of Revenues And Expenses For Calendar Years 1991 through 1997	1
3/9/99	- D2 - Financial Report For Year Ending December 31, 1997	21
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	<u>EXHIBIT E</u>	
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REV. 3/11/99	- E3 - History Of Revenue Requirements Per PSC Guidelines - 1995 - 1997	1
	<u>EXHIBIT F</u>	
3/9/99	- F1 - EDA Financial Assistance Award dated April, 1997	5
3/9/99	F2 - KIA Conditional Loan Commitment Letter dated September 28, 1998	5
3/9/99	F3 - Certificate Of Site, Rights-Of-Way and Easements	7

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	<u>EXHIBIT G</u>	
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	<u>EXHIBIT H</u>	
REV. 3/11/99	- H1 - Summary Of Revenue & Expenses - Proforma Calculations w/ Notes	2
3/9/99	- H2 - Annual Debt Service Requirements for Proposed Long Term Debt	1
REV. 3/11/99	- H3 - Proforma Revenue Requirements Per PSC Guidelines	1
REV. 3/11/99	- H4 - Summary Of Useage and Revenue - Proposed Rate Structure	1
	<u>EXHIBIT I</u>	
3/11/99 Resubmitted 4/12/99	- I1 - Final Engineering Report (After Bidding) of Hunter Martin & Associates, Inc., November, 1998	24
4/12/99	- I2 - Preliminary Engineering Report of Hunter Martin & Associates, Inc., December, 1996	19
	<u>EXHIBIT J</u>	1
3/9/99	- J1 - Plans and Specifications For "1998 INDUSTRIAL PARK WATER SYSTEM IMPROVEMENTS (BOOSTER PUMP STATION AND MAINS), CONTRACT A", Dated April, 1998 (Bid October, 1998) - Set Nos. 10, 11, & 12	BOUND SEP.
3/9/99	- J2 - Plans and Specifications For "1998 INDUSTRIAL PARK WATER SYSTEM IMPROVEMENTS (500,000 GALLON ELEVATED TANK), CONTRACT B", Dated April, 1998 (Bid October, 1998) - Set Nos. 10, 11, & 12	BOUND SEP.
	<u>EXHIBIT K</u>	
3/9/99	- K1 - Letter dated July 14, 1998 from Kentucky Division of Water approving Plans and Specifications For Contract A & B	12
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3/9/99	- K3 - Bid Opening Sign-In Sheet	1
3/9/99	- K4 - Bid Tabulation - Contract A	4
3/9/99	- K5 - Bid Tabulation - Contract B	1
3/9/99	- K6 - Notice Of Award (Subject To PSC Approval) & Time Extension - Contract A	2
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3/9/99	- L2 - Publisher's Affidavit	1
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HICKORY WATER DISTRICT
GRAVES COUNTY, KENTUCKY

07-084

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PUBLIC SERVICE
COMMISSION

FINAL ENGINEERING REPORT
(After Bidding)

1998 INDUSTRIAL PARK
WATER SYSTEM IMPROVEMENTS

NOVEMBER, 1998

BOARD OF COMMISSIONERS:

- Robert H. Sullivan, Chairman
- Tommy C. Green, Secretary
- Sam E. Davis, Treasurer



[Handwritten Signature]
4-13-99

CONSULTING ENGINEER
Hunter Martin & Associates, Inc.
3220 Lone Oak Road
Paducah, KY. 42003

SET NO. _____

EDA PROJECT No. AKY 0382

**HICKORY WATER DISTRICT
GRAVES COUNTY, KENTUCKY**

**FINAL ENGINEERING REPORT
(After Bidding)**

**1998 INDUSTRIAL PARK
WATER SYSTEM IMPROVEMENTS**

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PREFACE:

On October 16, 1998, Hickory Water District received and opened Bids for Contracts A and B of the 1998 Industrial Park Water System Improvements. These improvements are to be financed by an EDA Grant and a loan through Kentucky Infrastructure Authority. The bids received are outlined as follows:

Contract A:

Nine Bids were received on Contract A with the Low Bidder being Burgess Construction, Eddyville, KY, with a Low Bid in the amount of \$276,260.00

All Bids were checked to determine if they were responsive and responsible and a Bid Tabulation was completed and distributed to all Bidders, the District and the Public Service Commission.

The Engineer is familiar with the Contractor from two previous projects. He has sufficient equipment to do the work; has the expertise for this type work; and has done work on other projects of similar nature. He successfully completed all projects that the Engineer is familiar with.

The Contractor is satisfied with his Bid in relation to other Bids and there should be no problem with bonding.

The District has authorized the issuance of the Notice of Award (Subject to Public Service Commission Approval) to Burgess Construction in the amount of \$276,260.00.

Contract B:

Three bids were received on Contract B with the Low Bidder being Caldwell Tanks, Inc., Huntington, Indiana, with a Low Bid in the amount of \$495,600.00.

All Bids were checked to determine if they were responsive and responsible and a Bid Tabulation was completed and distributed to all Bidders, the District and the Public Service Commission.

The Engineer is familiar with the Contractor from several previous projects. The District also has experience with the Contractor on a previous project. The Contractor has sufficient equipment to do the work and has the expertise for this type work.

The Contractor is satisfied with his Bid in relation to other Bids and there should be no problem with bonding.

The District has authorized the issuance of the Notice of Award (Subject to Public Service Commission Approval) to Caldwell Tanks, Inc. in the amount of \$495,600.00.

The table on the following pages shows the updated Project Cost and Source of Funds for these improvements.

This Final Engineering Report has been prepared by updating the original Preliminary Engineering Report to show the actual Construction Costs and Project Costs to date as shown for the Bids received.

Respectfully submitted,

HUNTER MARTIN & ASSOCIATES, INC



Rod H. Martin, P.E.

HICKORY WATER DISTRICT
GRAVES COUNTY, KENTUCKY

WATER SYSTEM IMPROVEMENTS
PROJECT COSTS
(After Bidding)

CONSTRUCTION COSTS:	Quantity	Unit	Unit Cost	Subtotal	TOTAL	EDA SHARE 53.94%	KIA SHARE 46.06%	Check Column
CONTRACT A (New):								
MOBILIZATION/DEMobilIZATION	1	LS	\$6,000.00	\$6,000.00				
WATER MAINS, PVC								
12" SDR 21	9,200	LF	\$8.70	\$80,040.00				
8" SDR 21	250	LF	\$6.00	\$1,500.00				
6" SDR 21	100	LF	\$4.00	\$400.00				
FITTINGS								
Ductile Iron, 12" Size	4,850	LBS.	\$2.00	\$9,700.00				
Ductile Iron, 8" Size	300	LBS.	\$2.00	\$600.00				
Ductile Iron, 6" Size	300	LBS.	\$2.00	\$600.00				
VALVES, W/IRON BOX								
12" Gate	5	EA.	\$985.00	\$4,925.00				
8" Gate	2	EA.	\$560.00	\$1,120.00				
6" Gate	9	EA.	\$380.00	\$3,420.00				
SPECIAL FITTINGS, TAPPING TEE								
12" x 12" x 12" W/12" Valve	1	EA.	\$3,310.00	\$3,310.00				
CLAMPS AND COUPLINGS								
12"	2	EA.	\$90.00	\$180.00				
TIE-INS								
Tank	1	EA.	\$400.00	\$400.00				
12"	1	EA.	\$400.00	\$400.00				
8"	1	EA.	\$375.00	\$375.00				
FIRE HYDRANTS	6	EA.	\$950.00	\$5,700.00				
AIR RELEASE VALVES W/BOX	1	EA.	\$550.00	\$550.00				
BORE W/CASING								
18" Casing	120	LF	\$75.00	\$9,000.00				
CRUSHED STONE	100	CY	\$17.00	\$1,700.00				
CONCRETE ENCASEMENT	20	LF	\$40.00	\$800.00				
ASPHALT PAVEMENT REPLACEMENT	20	SY	\$15.00	\$300.00				
CONCRETE PAVEMENT REPLACEMENT	4	CY	\$120.00	\$480.00				
ELEVATED TANK GENERAL	1	LS	\$21,760.00	\$21,760.00				
CHECK VALVE REMOVAL	1	LS	\$1,200.00	\$1,200.00				
LOWES MASTER METER	1	LS	\$20,800.00	\$20,800.00				
TREATMENT BUILDING ADDITION								
Building Improvements	1	LS	\$31,200.00	\$31,200.00				
Pumps	1	LS	\$9,250.00	\$9,250.00				
Electrical	1	LS	\$13,350.00	\$13,350.00				
Pipe and Valves	1	LS	\$10,000.00	\$10,000.00				
Site Work and Parking Area	1	LS	\$1,000.00	\$1,000.00				
Miscellaneous	1	LS	\$500.00	\$500.00				

HICKORY WATER DISTRICT
GRAVES COUNTY, KENTUCKY

WATER SYSTEM IMPROVEMENTS
PROJECT COSTS
(After Bidding)

RADIO CONTROLS									
Lowes Tank/Flow Valve	1	LS	\$14,500.00	\$14,500.00	\$14,500.00				
Industrial Park Tank/H.S. Pumps	1	LS	\$21,200.00	\$21,200.00	\$21,200.00				
SUBTOTAL - CONTRACT A:					\$276,260.00				
CONTRACT B (New):									
500,000 GALLON ELEVATED TANK									
Foundation	1	LS	\$65,000.00	\$65,000.00	\$65,000.00				
Prefabrication	1	LS	\$231,600.00	\$231,600.00	\$231,600.00				
Erection	1	LS	\$115,000.00	\$115,000.00	\$115,000.00				
Cathodic Protection	1	LS	\$7,000.00	\$7,000.00	\$7,000.00				
Painting	1	LS	\$62,000.00	\$62,000.00	\$62,000.00				
ABANDON EXISTING HWY. 121 PEDESPIHERE	1	LS	\$15,000.00	\$15,000.00	\$15,000.00				
SUBTOTAL - CONTRACT B:					\$495,600.00				
SUBTOTAL - CONSTRUCTION (New)					\$771,860.00		\$416,330.45	\$355,529.55	\$771,860.00
PREVIOUS WORK:									
INSIDE INDUSTRIAL PARK:									
Estimated Project Costs	1,975	LF	\$28.26	\$28.26	\$55,804.00				
ALONG HICKORY ROAD:									
Estimated Project Costs	1,600	LF	\$28.26	\$28.26	\$45,216.00				
SUBTOTAL - PREVIOUS WORK					\$101,020.00			\$101,020.00	\$101,020.00
TOTAL CONSTRUCTION							\$416,330.45	\$456,549.55	\$872,880.00
TECHNICAL (New Work Only)									
BASIC					\$60,500.00				
Through Contract Award	8.5204%	Of New Construction	80.00%		\$48,400.00				
During Construction			20.00%		\$12,100.00				
INSPECTION (PART TIME AS NEEDED)	5.1126%	\$39,461.81			\$19,000.00				
EXTRA									
Surveys			\$500.00	\$500.00					
Easements/Permits/Right-Of-Way			\$500.00	\$500.00					
Soil Investigation			\$2,800.00	\$2,800.00					
Critical Phase Inspection			\$4,500.00	\$4,500.00					
Financing Assistance			\$2,500.00	\$2,500.00					
Pec Rate & Construction Case			\$5,000.00	\$5,000.00					
Hydraulic Analysis			\$4,700.00	\$4,700.00					
SUBTOTAL - TECHNICAL					\$20,500.00				\$20,500.00
SUBTOTAL - TECHNICAL					\$100,000.00		\$53,938.60	\$46,061.40	\$100,000.00
INTEREST DURING CONSTRUCTION	1	LS			\$5,681.76		\$3,064.66	\$2,617.10	\$5,681.76

HICKORY WATER DISTRICT
GRAVES COUNTY, KENTUCKY

WATER SYSTEM IMPROVEMENTS
PROJECT COSTS
(After Bidding)

ADMINISTRATIVE	1	LS		\$7,500.00	\$7,500.00	\$4,045.39	\$3,454.61	\$7,500.00
LAND, STRUCTURES, R.O.W., APPRAISALS	1	LS		\$500.00	\$500.00	\$269.69	\$230.31	\$500.00
RELOCATION EXPENSES & PAYMENTS	1	LS		\$500.00	\$500.00	\$269.69	\$230.31	\$500.00
CONTINGENCIES	4.4163%	Proj (Less Prov. Work)	---	\$40,938.24	\$40,938.24	\$22,081.51	\$18,856.73	\$40,938.24
TOTAL PROJECT COSTS					\$1,028,000.00	\$500,000.00	\$528,000.00	\$1,028,000.00
Total								
SUMMARY (Including Previous Work)								
Amount					\$1,028,000.00	\$500,000.00	\$528,000.00	
Per Cent Of Project Funding (Excl. Prior Work)						53.94%	46.06%	

1. GEOGRAPHY AND POPULATION OF GRAVES COUNTY:

1.1. Geography.

Graves County is located in the western part of Kentucky and is bounded on the South by the Kentucky - Tennessee State line. Marshall County and Calloway County lie to the East; McCracken County lies to the North; and Ballard County, Carlisle County, and Hickman County lie on the Western border. Graves County is the fifth largest County in the State of Kentucky with approximately 555 square miles or 355,200 acres of land area.

Figure 1 on Page 9 is a General Location Map showing Kentucky Counties and their relationship to Graves County.

1.2. Population.

Based on the 1990 Census, the population of Graves County was 33,550 persons. Mayfield, the County Seat, has the largest population in the County. Other cities within Graves County include Wingo, Pryorsburg, Symsonia, Farmington, Folsomdale, Lowes.

Population projections for Graves County are shown in the following table. This information is based on the University Of Louisville's publication "HOW MANY KENTUCKIANS: Population Forecasts 1990-2020", 1992 Edition. Projections are for "Moderate Growth" as defined in the publication.

**Table 1
GRAVES COUNTY, KENTUCKY
POPULATION PROJECTIONS**

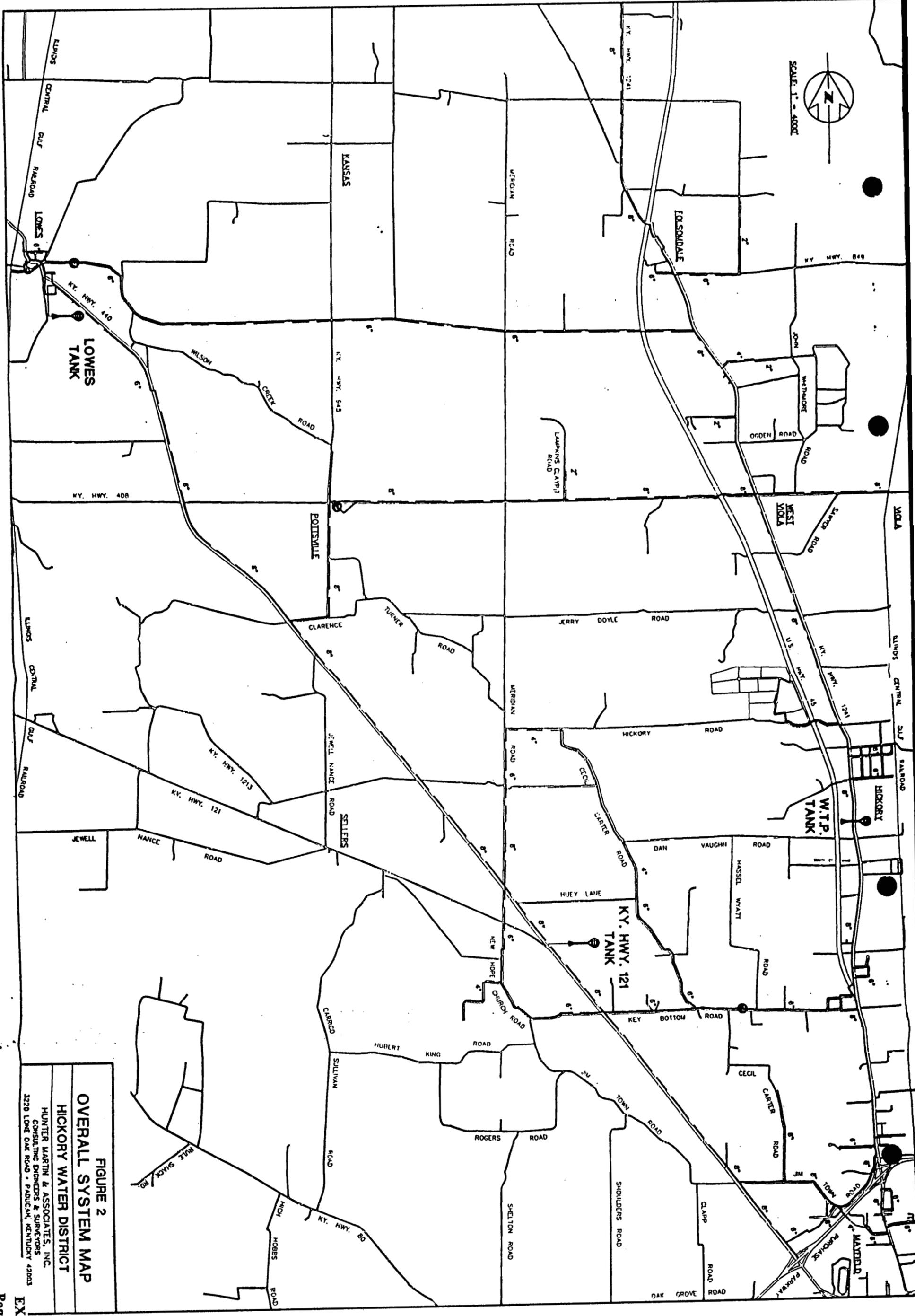
	1970 Census	1980 Census	1990 Census	2000 Projection	2010 Projection	2020 Projection
GRAVES COUNTY	30,939	34,049	33,550	33,675	33,716	33,716

2. HICKORY WATER DISTRICT - GENERAL INFORMATION:

2.1. Formation And Organization.

Hickory Water District of Graves County, Kentucky was created by virtue of Chapter 74 of the Kentucky Revised Statutes, pursuant to a judgment of the County Court of Graves County, Kentucky, duly entered on September 11, 1964. The regulatory agencies for the District are the Public Service Commission and the Department For Environmental Protection, Division Of Water.

Hickory Water District serves the Northern portion of Graves County. The District extends from Mayfield on the South to the Graves County-McCracken County line on the North. Figure 2 on Page 11 is an overall map of the District's service area.



LOWES TANK

W.P. TANK

KY. HWY. 121 TANK

FIGURE 2
OVERALL SYSTEM MAP
HICKORY WATER DISTRICT

HUNTER MARTIN & ASSOCIATES, INC.
 CONSULTING ENGINEERS & SURVEYORS
 3220 LONE OAK ROAD • PADUCAH, KENTUCKY 42003

The post office address of the Water District is:

Hickory Water District
P. O. Box 128
Hickory, KY. 42051

The governing body of Hickory Water District consists of 3 Commissioners. The Commissioners are duly appointed by the County Judge Executive of Graves County with approval of the Fiscal Court. The present Commissioners are:

Robert H. Sullivan, Chairman
Tommy C. Green, Secretary
Sam E. Davis, Treasurer

2.2. Customer Base.

In 1995 Hickory Water District had approximately 1,149 customers. These customers are predominately rural single family users with the average usage running approximately 4,817 gallons per month. The largest single user is General Tire.

A user analysis for the test year ending January, 1995, was prepared and a summary of the analysis is shown in Table 2 on Page 13.

3. FINANCIAL CONDITION OF WATER DISTRICT:

3.1. Current Indebtedness.

The District has long-term debt consisting of two revenue bonds bearing 3.75% and 5.0% respectively. Table 3 on Page 14 is a summary of the Annual Debt Service Requirements for both loans.

3.2. Annual Revenues And Expenses.

Summaries of the annual revenues and expenses for the years ending December, 1991, through December, 1995, are presented in Table 4 on Page 15 for Hickory Water District. This information was taken from the Financial Reports which are prepared annually.

**Table 2
HICKORY WATER DISTRICT
Annual Usage And Revenue
For Test Year Ending January, 1996**

3/4" METERS				1" METERS			
Cutoff Range	Bills	Total Gallons Sold	Total Revenue	Cutoff Range	Bills	Total Gallons Sold	Total Revenue
2,000	3,401	3,632,482	\$22,106.50				
5,000	5,286	18,271,726	\$55,148.26	6,000	46	147,000	\$763.60
10,000	3,522	23,899,000	\$63,999.20	10,000	29	224,500	\$582.40
20,000	946	10,104,892	\$24,335.67	20,000	34	500,100	\$1,100.57
50,000	179	3,587,200	\$7,365.54	50,000	10	341,900	\$581.25
100,000	33	1,803,508	\$2,674.78	100,000	4	323,600	\$413.46
99,999,999	26	3,213,492	\$3,539.04	99,999,999	10	3,618,400	\$3,028.88
TOTAL	13,393	64,512,300	\$179,169.00	TOTAL	133	5,155,500	\$6,470.19
Average		4,817		Average		38,763	

1-1/2" METERS				2" METERS			
Cutoff Range	Bills	Total Gallons Sold	Total Revenue	Cutoff Range	Bills	Total Gallons Sold	Total Revenue
7,500	33	43,400	\$646.80				
10,000	9	80,100	\$201.60	15,000	48	199,900	\$1,576.80
20,000	0	0	\$0.00	20,000	1	18,800	\$39.12
50,000	40	1,465,000	\$2,442.00	50,000	15	441,400	\$786.18
100,000	21	1,414,800	\$1,929.18	100,000	14	1,150,200	\$1,462.07
99,999,999	5	798,800	\$807.16	99,999,999	37	8,773,500	\$7,976.65
TOTAL	108	3,802,100	\$6,026.74	TOTAL	115	10,583,800	\$11,840.82
Average				Average		92,033	

3" & 4" METERS				SUM			
Cutoff Range	Bills	Total Gallons Sold	Total Revenue	Cutoff Range	Bills	Total Gallons Sold	Total Revenue
				2,000	3,401	3,632,482	\$22,106.50
				5,000	5,286	18,271,726	\$55,148.26
				6,000	46	147,000	763.60
				7,500	33	43,400	646.80
				10,000	3560	24,203,600	64,783.20
				15,000	48	199,900	1,576.80
				20,000	981	10,623,792	25,475.36
				50,000	244	5,835,500	11,175.00
100,000	12	83,000	\$1,435.20	100,000	84	4,775,108	7,914.69
99,999,999	24	29,182,600	\$21,618.22	99,999,999	102	45,586,792	36,969.95
TOTAL	36	29,265,600	\$23,053.42	TOTAL	13,785	113,319,300	\$226,560.16
Average		812,933		Average	1,149	9,443,275	\$18,880.01

**Table 3
HICKORY WATER DISTRICT
SUMMARY OF ANNUAL DEBT SERVICE REQUIREMENTS**

Annual Debt Service - 1st Issue 3.75% For 40 Years				
Yr. End.	Balance	Principal	Interest	Total
1996	\$471,000.00			
1997	\$435,000.00	\$38,000.00	\$17,662.50	\$55,662.50
1998	\$397,000.00	\$39,000.00	\$16,312.50	\$55,312.50
1999	\$358,000.00	\$41,000.00	\$14,887.50	\$55,887.50
2000	\$317,000.00	\$42,000.00	\$13,425.00	\$55,425.00
2001	\$275,000.00	\$44,000.00	\$11,887.50	\$55,887.50
2002	\$231,000.00	\$45,000.00	\$10,312.50	\$55,312.50
2003	\$186,000.00	\$47,000.00	\$8,662.50	\$55,662.50
2004	\$139,000.00	\$49,000.00	\$6,975.00	\$55,975.00
2005	\$90,000.00	\$52,000.00	\$5,212.50	\$57,212.50
2006	\$38,000.00	\$38,000.00	\$3,375.00	\$41,375.00
2007	\$0.00			\$0.00

Annual Debt Service - 2nd Issue 5.00% For 40 Years				
1996	\$107,000.00			
1997	\$105,000.00	\$2,000.00	\$5,350.00	\$7,350.00
1998	\$103,000.00	\$2,500.00	\$5,250.00	\$7,750.00
1999	\$100,500.00	\$2,500.00	\$5,150.00	\$7,650.00
2000	\$98,000.00	\$2,500.00	\$5,025.00	\$7,525.00
2001	\$95,500.00	\$2,500.00	\$4,900.00	\$7,400.00
2002	\$93,000.00	\$3,000.00	\$4,775.00	\$7,775.00
2003	\$90,000.00	\$3,000.00	\$4,650.00	\$7,650.00
2004	\$87,000.00	\$3,000.00	\$4,500.00	\$7,500.00
2005	\$84,000.00	\$3,000.00	\$4,350.00	\$7,350.00
2006	\$81,000.00	\$3,000.00	\$4,200.00	\$7,200.00
2007	\$78,000.00	\$3,000.00	\$4,050.00	\$7,050.00
2008	\$75,000.00	\$4,000.00	\$3,900.00	\$7,900.00
2009	\$71,000.00	\$4,000.00	\$3,750.00	\$7,750.00
2010	\$67,000.00	\$4,000.00	\$3,550.00	\$7,550.00
2011	\$63,000.00	\$4,500.00	\$3,350.00	\$7,850.00
2012	\$58,500.00	\$4,500.00	\$3,150.00	\$7,650.00
2013	\$54,000.00	\$5,000.00	\$2,925.00	\$7,925.00
2014	\$49,000.00	\$5,000.00	\$2,700.00	\$7,700.00
2015	\$44,000.00	\$5,500.00	\$2,450.00	\$7,950.00
2016	\$38,500.00	\$5,500.00	\$2,200.00	\$7,700.00
2017	\$33,000.00	\$6,000.00	\$1,925.00	\$7,925.00
2018	\$27,000.00	\$6,500.00	\$1,650.00	\$8,150.00
2019	\$20,500.00	\$6,500.00	\$1,350.00	\$7,850.00
2020	\$14,000.00	\$7,000.00	\$1,025.00	\$8,025.00
2021	\$7,000.00	\$7,000.00	\$700.00	\$7,700.00
2022	\$0.00	\$7,000.00	\$350.00	\$7,350.00

**Table 4
HICKORY WATER DISTRICT
SUMMARY OF REVENUES AND EXPENSES
1991 - 1995**

	YEAR ENDING DECEMBER 1991	YEAR ENDING DECEMBER 1992	YEAR ENDING DECEMBER 1993	YEAR ENDING DECEMBER 1994	YEAR ENDING DECEMBER 1995
OPERATING REVENUE:					
Water Sales	\$207,304.00	\$219,625.00	\$219,226.00	\$223,926.00	\$226,553.00
Miscellaneous Service Revenue	\$4,241.00	\$4,539.00	\$4,855.00	\$4,781.00	\$5,491.00
SUBTOTAL - OPERATING REVENUE	\$211,545.00	\$224,164.00	\$224,081.00	\$228,707.00	\$232,044.00
OPERATING EXPENSES:					
Purchased Power	\$18,617.00	\$17,413.00	\$17,599.00	\$18,049.00	\$21,841.00
Chemicals	\$6,529.00	\$8,612.00	\$10,677.00	\$7,789.00	\$4,470.00
Materials and Supplies	\$9,548.00	\$6,333.00	\$7,761.00	\$15,291.00	\$11,825.00
Contractual Services	\$78,019.00	\$70,015.00	\$70,055.00	\$81,627.00	\$92,569.00
Rents	\$0.00	\$0.00	\$700.00	\$1,010.00	\$0.00
Insurance	\$1,481.00	\$1,509.00	\$1,689.00	\$1,503.00	\$1,909.00
Miscellaneous Expenses	\$1,391.00	\$1,655.00	\$1,563.00	\$1,678.00	\$1,383.00
Depreciation	\$48,630.00	\$47,013.00	\$48,039.00	\$49,101.00	\$54,792.00
Other Taxes	\$251.00	\$303.00	\$358.00	\$358.00	\$345.00
SUBTOTAL - OPERATING EXPENSE	\$164,466.00	\$152,853.00	\$158,441.00	\$176,406.00	\$189,134.00
OPERATING INCOME	\$47,079.00	\$71,311.00	\$65,640.00	\$52,301.00	\$42,910.00
OTHER INCOME (EXPENSE)					
Interest Income	\$4,392.00	\$6,169.00	\$6,511.00	\$6,348.00	\$6,696.00
Interest - Long Term Debt	(\$29,254.00)	(\$28,100.00)	(\$26,789.00)	(\$25,577.00)	(\$24,237.00)
SUBTOTAL - OTHER INCOME (EXPENSE)	(\$24,862.00)	(\$21,931.00)	(\$20,278.00)	(\$19,229.00)	(\$17,541.00)
NET INCOME (LOSS)	\$22,217.00	\$49,380.00	\$45,362.00	\$33,072.00	\$25,369.00

3.3.

Current Rates.

The current rates and fees have been in effect since April 25, 1991 and are shown in Table 5.

**Table 5
HICKORY WATER DISTRICT
CURRENT RATES**

		BASIS OF CHARGE	3/4" Meters	1" Meter	1-1/2" Meter	2" Meter	3" & 4" Meter
First	2,000 Gallons	MINIMUM	\$6.50	-	-	-	-
First	6,000 Gallons	MINIMUM	-	\$16.60	-	-	-
First	7,500 Gallons	MINIMUM	-	-	\$19.60	-	-
First	15,000 Gallons	MINIMUM	-	-	-	\$32.85	-
First	100,000 Gallons	MINIMUM	-	-	-	-	\$119.60
Next	3,000 Gallons	/1000 GALS.	\$2.70	-	-	-	-
Next	2,500 Gallons	/1000 GALS.	-	-	\$2.00	-	-
Next	4,000 Gallons	/1000 GALS.	-	\$2.00	-	-	-
Next	5,000 Gallons	/1000 GALS.	\$2.00	-	-	\$1.65	-
Next	10,000 Gallons	/1000 GALS.	\$1.65	\$1.65	\$1.65	-	-
Next	30,000 Gallons	/1000 GALS.	\$1.20	\$1.20	\$1.20	\$1.20	-
Next	50,000 Gallons	/1000 GALS.	\$0.85	\$0.85	\$0.85	\$0.85	-
Over	100,000 Gallons	/1000 GALS.	\$0.70	\$0.70	\$0.70	\$0.70	\$0.70

Table 6 is an Analysis of Revenue Requirements showing that an increase in rates is necessary to meet the current requirements .

**Table 6
HICKORY WATER DISTRICT
ANALYSIS OF REVENUE REQUIREMENTS**

	1991	1992	1993	1994	1995
Operating Expenses	\$164,466.00	\$152,853.00	\$158,441.00	\$176,406.00	\$189,134.00
Average Annual Debt Service	\$61,000.00	\$62,306.00	\$62,095.00	\$60,838.00	\$61,500.00
20% Debt Service Coverage	\$12,200.00	\$12,461.20	\$12,419.00	\$12,167.60	\$12,300.00
TOTAL REVENUE REQUIREMENTS	\$237,666.00	\$227,620.20	\$232,955.00	\$249,411.60	\$262,934.00
Operating Revenue From Audit	\$211,545.00	\$224,164.00	\$224,081.00	\$228,707.00	\$232,044.00
REQUIRED INCREASE IN REVENUE	\$26,121.00	\$3,456.20	\$8,874.00	\$20,704.60	\$30,890.00
WATER SALES:					
Water Sales From Audit	\$207,304.00	\$219,625.00	\$219,226.00	\$223,926.00	\$226,553.00
Required Increase In Revenue	\$26,121.00	\$3,456.20	\$8,874.00	\$20,704.60	\$30,890.00
AMOUNT REQ'D FROM SALES	\$233,425.00	\$223,081.20	\$228,100.00	\$244,630.60	\$257,443.00

4. SYSTEM INVENTORY:

4.1. Supply.

Hickory Water District operates a 0.936 MGD (650 GPM) ground water treatment plant located in the community of Hickory, Kentucky. The plant was constructed around 1966 and currently consists of a treatment plant building for housing the chemical feed equipment used for pH adjustment and the disinfection equipment. The system is supplied with 3 wells located on site and these pump raw water through the plant for treatment and directly into a 125,000 gallon elevated tank (pedosphere). The source of supply is considered very good and water shortage is not a concern.

Plant structures are in relatively good condition. The District continues to work closely with Kentucky Division Of Water to comply with all State and Federal regulations and operate the plant as efficiently as possible.

The District's office is also located at this site and is used for administration duties such as collection, record keeping, etc.

4.2. Distribution System.

Approximately 85% of the distribution system is made up of 8 inch and 6 inch mains. These mains are predominately asbestos cement but all recently installed lines are PVC. Approximately 10% of the system is serviced by 4 inch mains while the remaining system consists of 2 inch and smaller lines. Although fire hydrants are located throughout the system, it is not capable of providing fire flows in accordance with PSC's requirements.

Pressure throughout the system is maintained by the 125,000 gallon elevated tank (pedosphere) located at the water treatment plant.

The overall system map on Page 11 shows the piping configuration for the District.

4.3. Pumping Facilities.

Other than the well pumps at the treatment plant there is only one booster station in the District. This station is located at Pottsville, Ky. On Ky. Hwy. 408. This station was originally designed to help fill the Ky. Hwy. 121 tank but has to be operated manually. It is used only during high demand periods.

4.4. Storage Facilities.

The District has 3 elevated storage facilities. The total storage capacity for the system is 300,000 gallons. Table 7 gives a summary of each tank's capacity.

**Table 7
HICKORY WATER DISTRICT
SUMMARY OF STORAGE FACILITIES**

Tank Name	Type	Capacity, Gallons	Overflow Elevation
WTP	Pedosphere	125,000	600'
Hwy. 121	Pedosphere	100,000	600'
Lowes	Pedosphere	75,000	575'

5. **FLOWS:**

Flows created by existing users were considered in two different ways. The first was to consider the theoretical demand based on design criteria of 300 GPD per customer for residential users. The second was to analyze the system, based on actual water sold and the water loss as compared to the master meter readings.

Flows for existing users are summarized in Table 8.

**Table 8
HICKORY WATER DISTRICT
FLOWS FOR EXISTING USERS**

	DAILY AVERAGES (Average Use Day)					MAXIMUM DAY (150%)			THEORETICAL PER CUST.			
	Avg. Water Sold GPD	20% Estimated Loss Of Water GPD	Avg. Water Produced GPD	Rate In 24 Hr. Period GPM	Rate In 18 Hr. Period GPM	Daily Water Produced	Rate In 24 Hr. Period GPM	Rate In 18 Hr. Period GPM	Customers	Avg. Daily Demand GPD	Avg. Daily Rate GPM	Max. Daily Rate GPM
South System	96,426	19,335	115,761	80	121	173,641	121	181	266	79,800	55	83
North System	214,038	42,918	256,956	178	268	385,434	268	401	883	264,900	184	276
Total System	310,464	62,253	372,717	259	388	559,075	388	582	1,149	344,700	239	359

Actual records of water produced during 1995 are shown in Table 9.

**Table 9
HICKORY WATER DISTRICT
RECORD OF WATER PRODUCED - 1995**

	Gal. Pumped	ADF	Rate
January	10,007,000	322,806	224.2
February	9,488,000	338,857	235.3
March	11,217,000	361,839	251.3
April	10,279,000	342,633	237.9
May	9,925,000	320,161	222.3
June	13,891,000	463,033	321.6
July	15,616,000	503,742	349.8
August	11,423,000	368,484	255.9
September	15,627,000	520,900	361.7
October	13,090,000	422,258	293.2
November	11,009,000	366,967	254.8
December	10,162,000	327,806	227.6
Total	141,734,000		
Maximum		520,900	361.7
Average		388,312	269.7
Minimum		320,161	222.3

6. SYSTEM DEFICIENCIES:

The system has been analyzed from a hydraulic standpoint and has identified several areas of need as follows:

6.1. Distribution Facilities.

There are several areas of the District that have occurrences of pressures below 30 psi during even moderate flow demands. Probably the biggest concern is the area immediately North of Mayfield along Ky. Hwy. 121. This area has seen fairly rapid growth in recent years and has experienced low pressures during peak demand periods. The Ky. Hwy. 121 tank is at the same elevation as the WTP tank, but due to its distance from the tank in conjunction with the smaller mains, it does not remain full. The water level in this tank stays approximately 10 below the overflow elevation. Fire protection is also a major concern in this area because of the schools but cannot be provided on a consistent basis without adversely affecting the pressures elsewhere.

There are other areas within the District that have intermittent low pressure problems. These basically stem from the higher ground elevations and not small mains feeding the areas.

6.2. Pumping Facilities.

The only booster pumping station in the District is located at Pottsville and it has adequate capacity to fill the Hwy. 121 tank. If this station were to be used in the future, radio telemetry equipment would be needed to provide automatic operation.

6.3. Storage Facilities.

PSC requires that all Districts provide enough storage of treated water to satisfy the average daily demand. The District is currently producing an average daily flow of approximately 390,000 GPD but only has 300,000 gallons of available storage. The construction of additional storage facilities has been mandated by PSC and the District is to comply with this mandate no later than December 31, 2000.

The WTP Tank is in a good state of repair, as it was repainted only a few years ago. The remaining tanks however need to be repaired and painted immediately. The Lowes tank is probably in the worst condition.

7. LONG RANGE PLAN:

Several alternatives have been studied to meet the District's long term objectives. A brief discussion follows:

Alternative A: This alternative calls for abandonment of the existing treatment facility and purchasing all water from the City Of Mayfield. The WTP Tank and the Ky. Hwy. 121 Tank would be abandoned and a new 500,000 gallon elevated tank would be constructed at Industrial Park No. 3. The overflow elevation of the new tank would be the same as that of the Mayfield Tank.

New lines would be required from Industrial Park No. 3 to Mayfield and a radio controlled valve installed in line that feeds the community of Lowes. The Pottsville booster station would be abandoned and the Lowes tank repaired and painted as required. The community of Lowes would operate at a different pressure than the remaining system.

This alternative would provide fire flows of 500 GPM to the District at a minimum pressure of 30 psi and even greater fire flows at Industrial Park No. 3.

Alternative B: This alternative calls for construction of a new 500,000 gallon elevated tank at Industrial Park No. 3 and installation of new high service pumps at the plant site to fill the new tank. The overflow elevation of the new tank would be the same as that of the Mayfield Tank and a connection would be made to the City's system to serve as an alternative supply. The existing WTP tank would remain in service as a clearwell and the Ky. Hwy. 121 tank would be abandoned.

New lines would be required from Industrial Park No. 3 to the water treatment plant and a radio controlled valve installed in line that feeds the community of Lowes. The Pottsville booster station would be abandoned and the Lowes tank repaired and painted as required. The community of Lowes would operate at a different pressure than the remaining system.

This alternative would provide fire flows of 500 GPM to the District at a minimum pressure of 30 psi and even greater fire flows at Industrial Park No. 3.

Alternative C: This alternative calls for splitting the District into a third pressure zone to be served by the City Of Mayfield. This South Zone would operate at the same pressure as the City and a new 200,000 gallon tank would be required to meet PSC's storage requirements.

The Northern zone would continue to operate at the same pressure it operates at today. The existing WTP Tank and Ky. Hwy. 121 Tank would not be abolished but repaired and painted as required.

New lines would be required from Industrial Park No. 3 to the water treatment plant and a radio controlled valve installed in line that feeds the community of Lowes. The Pottsville booster station would be abandoned and the Lowes tank repaired and painted as required.

This alternative would not provide fire flows of 500 GPM to all parts of the District. Storage requirements within the Northern zone would be met but growth would be limited. High fire flows at Industrial Park No. 3 would be difficult to obtain.

From an economic standpoint each of the above alternatives are about the same. After careful consideration of the advantages of each, Alternative B was selected as the best for the District. This alternative provides additional storage for growth throughout the District; sufficient pressures to support fire flows; and, an emergency source of supply with the connection to Mayfield.

8. PROPOSED IMPROVEMENTS:

Remington Arms, Inc. is building an 80,000 square foot facility in Industrial Park No. 3. Plant officials have indicated that initially Remington will require about 15,000 GPD and that they hope to double that demand in the near future. The District has adequate capacity to serve the facility on a daily basis. However, Remington has also indicated a fire flow requirement of 1250 GPM and the District is not capable of delivering this on a consistent basis without adversely affecting the pressures of existing customers.

For the immediate future the District proposes to install a new 500,000 gallon elevated tank at Industrial Park No. 3. The location and size of the tank not only satisfies the needs of the entire District, but also opens up the Industrial Park for future development. Abandonment of the Ky. Hwy. 121 Tank will be required along with installation of a new 12" main to the water treatment plant. Figure 3 on Page 22 shows the proposed improvements.

The typical life for mains is 50 years while that of structures is 40 years. The design of the proposed facilities will be based on a 20 year growth projection.

9. PROJECT IMPLEMENTATION:

It is estimated that design of the project will take approximately 6 months and final approval from all agencies will take an additional 3 months. Construction will last approximately 12 months although work will not be continuous through this time period.

Upon final design, Plans and Specifications will be submitted to the Kentucky Division Of Water for review and issuance of a construction permit. Subsequently, an application will be submitted to the Public Service Commission for issuance of a Certificate Of Public Convenience And Necessity. After receipt of all permits and approvals the proposed Work will be advertised for bids and the project will be awarded to the lowest responsible, responsive bidder.

The Project will be set out in two Contracts. One will be responsible for installation of the water mains and appurtenances, including pumps, valves, electrical equipment etc. The second Contract will be responsible for erection of the new tank and related appurtenances as well as demolition of the existing Ky. Hwy. 121 tank.

10. PROJECT COSTS:

A breakdown of Project Costs for the proposed improvements is shown in Table 10 on Page 23. This information shows an estimate of construction, technical, financing, and administrative costs associated with the proposed improvements.

11. SOURCE OF FUNDING:

As shown in Table 10 on Page 23 the project will be funded by a \$500,000 grant from the Kentucky Department Of Commerce and with a loan administered through the Kentucky Infrastructure Authority. The user charges will be increased as required to generate enough revenue to pay the annual debt service. All increases will require PSC approval.

12. CONSTRUCTION PROBLEMS:

No major construction problems are anticipated. The project will not be affected by a high water table and there are no known extensive rock formations in the area. The only difficulties which will be encountered are those associated with existing underground utilities.

13. ENVIRONMENTAL EFFECTS:

Land for the proposed facilities does not have a higher priority use and there will be no displacement of households, businesses or any buildings. The quality of both groundwater and surface water will not be diminished in any way by the proposed facilities and there will be no adverse effects on the topography, climate or soil.

No marketable timber will be affected by the project and there are no known unique or endangered plant or animal species in the area. Minor local noises and air pollution will result from construction but shall be minimized by construction methods and will not be objectionable. There will be no reduction in the value of adjacent property and no adverse effects on the recreational potential of the area.

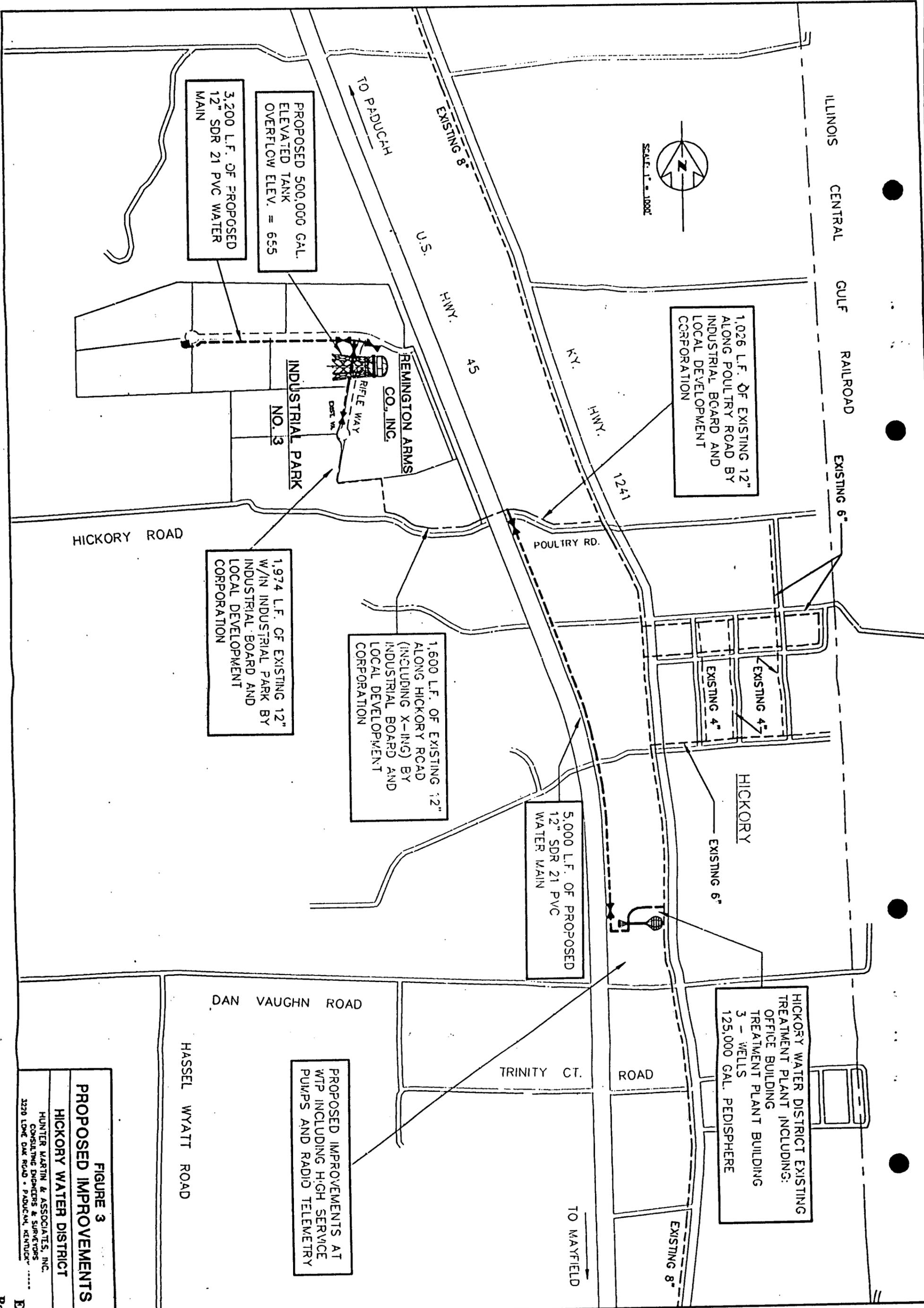


FIGURE 3
PROPOSED IMPROVEMENTS
HICKORY WATER DISTRICT

HUNTER MARTIN & ASSOCIATES, INC.
 CONSULTING ENGINEERS & SURVEYORS
 3220 LONE OAK ROAD • PADUCAH, KENTUCKY

**Table 10
HICKORY WATER DISTRICT
PRELIMINARY PROJECT COSTS**

	Quantity	Units	Unit Cost	Subtotal	TOTAL	EDA SHARE 53.94%	KIA SHARE 46.06%
CONSTRUCTION COSTS:							
Inside Industrial Park:							
12 Inch PVC, Class 200	3,200	LF	\$16.00	\$51,200.00			
Ductile Iron	1,000	Lbs.	\$2.75	\$2,750.00			
12 Inch Valves	4	Ea.	\$1,100.00	\$4,400.00			
Tie - Ins	1	Ea.	\$400.00	\$400.00			
Crushed Stone	25	CY	\$25.00	\$625.00			
500,000 Gal. Elevated Tank	1	LS	\$535,000.00	\$535,000.00			
Miscellaneous	1	LS	\$13,150.00	\$16,000.00			
Outside Industrial Park:							
12 Inch PVC, Class 200	5,000	LF	\$16.00	\$80,000.00			
Ductile Iron	1,000	Lbs.	\$2.75	\$2,750.00			
12 Inch Valves	2	Ea.	\$1,100.00	\$2,200.00			
Tie - Ins	1	Ea.	\$400.00	\$400.00			
Crushed Stone	25	CY	\$25.00	\$625.00			
Pressure Reducing Valve	3	Ea.	\$3,500.00	\$10,500.00			
High Service Pumps w/ Radio Telemetry	1	LS	\$35,000.00	\$35,000.00			
Abandon Existing Hwy. 121 Tank	1	LS	\$10,000.00	\$10,000.00			
Miscellaneous	1	LS	\$14,000.00	\$15,500.00			
SUBTOTAL - CONSTRUCTION				\$767,350.00	\$767,400.00	\$413,915.86	\$353,484.14
TECHNICAL							
Basic	7.8838%	Construction	\$60,500.00				
Through Contract Award			80.00%	\$48,400.00			
During Construction			20.00%	\$12,100.00			
Inspection (Part - Time As Needed)				\$19,000.00			
Extra (Soil Testing, Critical Phase Insp.)				\$19,000.00			
Surveys				\$500.00			
Easements/Permits Right-Of-Way				\$500.00			
Soil Investigation				\$2,500.00			
Critical Phase Inspection				\$4,500.00			
Financing Assistance				\$2,500.00			
PSC Rate & Construction Case				\$5,000.00			
Hydraulic Analysis				\$5,000.00			
Subtotal - Extra				\$20,500.00			
SUBTOTAL - TECHNICAL				\$100,000.00	\$100,000.00	\$53,937.43	\$46,062.57
INTEREST DURING CONSTRUCTION	1	LS		\$5,681.76	\$5,682.00	\$3,064.72	\$2,617.28
ADMINISTRATIVE	1	LS		\$7,500.00	\$7,500.00	\$4,045.31	\$3,454.69
LAND, STRUCTURES, R.O.W., APPRAISALS	1	LS		\$500.00	\$500.00	\$269.69	\$230.31
RELOCATION EXPENSES & PAYMENTS	1	LS		\$500.00	\$500.00	\$269.69	\$230.31
CONTINGENCIES	4.8995%	Of Project Costs	---	\$45,418.00	\$45,418.00	\$24,497.30	\$20,920.70
TOTAL PROJECT COSTS					\$927,000.00	\$500,000.00	\$427,000.00
Per Cent Of Project						53.94%	46.06%

14. CONCLUSIONS AND RECOMMENDATIONS:

The foregoing report has been prepared for use by the Hickory Water District Board Of Commissioners, the Economic Development Administration, the Public Service Commission, the Kentucky Infrastructure Authority and the Kentucky Division Of Water for review, comments and approval of the proposed improvements. This report is intended to provide a comprehensive analysis of the proposed improvements and provide cost estimates that are realistic.

We trust that you will find this report complete in every respect and that it meets the planning and financial needs of the District.

Respectfully Submitted,

HUNTER MARTIN & ASSOCIATES, INC.



Rod H. Martin, P.E.



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
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Ronald B. McCloud, Secretary
Public Protection and
Regulation Cabinet

Helen Helton
Executive Director
Public Service Commission

Paul E. Patton
Governor

April 7, 1999

Rod H. Martin
HUNTER MARTIN & ASSOCIATES, INC.
3220 Lone Oak Road
Paducah, KY 42003

Robert H. Sullivan
Chairman
Hickory Water District
P.O. Box 128
Hickory, KY 42051

Re: Case No. 99-084
Filing Deficiencies

Gentlemen:

The Commission staff has conducted an initial review of your filing in the above case. This filing is rejected pursuant to 807 KAR 5:001, Section 2, as it is deficient in certain filing requirements. The items listed below are either required to be filed with the application or must be referenced if they are already on file in another case or will be filed at a later date.

Filing deficiencies pursuant to 807 KAR 5001:

- 1) KRS 322.340 At least one copy of preliminary and final engineering report is signed, sealed, and dated by registered professional engineer.
- 2) Section 10(6)(n) Summary of latest depreciation study with schedules by major plant accounts, except that telecommunications utilities adopting PSC's average depreciation rates shall provide schedule identifying



current and test period depreciation rates used by major plant accounts. If filed in another PSC case refer to that case's number and style.

- 3) Section 10(7)(c) For each proposed pro forma adjustment reflecting plant additions the following information:
- (1) Starting date of the construction of each major Component of plant;
 - (2) Proposed in-service date;
 - (3) Total estimated cost of construction at completion;
 - (5) Complete description of actual plant retirements and anticipated plant retirements related to the pro forma plant additions including the actual or anticipated date of retirement;
 - (6) Original cost, cost of removal and salvage for each component of plant to be retired during the period of the proposed pro forma adjustment for plant additions;
 - (7) Explanation of any differences in amounts contained in capital construction cost contained in the pro forma adjustment period; and
 - (8) Impact on depreciation expense of all proposed pro forma adjustments for plant additions and retirements.

The statutory time period in which the Commission must process this case will not commence until the above-mentioned information is filed with the Commission. You are requested to file 10 copies of this information within 15 days of the date of this letter. If you need further information, please contact James Rice of my staff at (502)564-3940, ext. 411.

Sincerely,



Stephanie Bell
Secretary of the Commission

sa

cc: Parties of Record





"Established 1952"

HUNTER MARTIN & ASSOCIATES, INC.

ENGINEERS & SURVEYORS

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HUNTER H. MARTIN (1924 - 1997)
Founder

ROD H. MARTIN, P.E./L.S.
President

MICHAEL GARDNER
Vice President

BETTY J. GARDNER
Secretary/Treasurer

March 11, 1999

Honorable Helen C. Helton, Executive Director
Public Service Commission
P. O. Box 615
730 Schenkel Lane
Frankfort, KY 40601

RECEIVED

MAR 15 1999

PUBLIC SERVICE
COMMISSION

Dear Ms. Helton:

Case No. 99-084

RE: HICKORY WATER DISTRICT, GRAVES COUNTY, KENTUCKY - IN THE MATTER OF THE APPLICATION OF HICKORY WATER DISTRICT FOR: (1) ISSUANCE OF A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY FOR CONSTRUCTION OF THE 1998 INDUSTRIAL PARK WATER SYSTEM IMPROVEMENTS; (2) AUTHORIZATION TO BORROW \$528,000 FROM KENTUCKY INFRASTRUCTURE AUTHORITY; AND (3) AUTHORIZATION TO RAISE RATES TO PAY FOR THE ADDITIONAL INDEBTEDNESS

On March 9, 1999, the original and 10 copies of documents for the above referenced Application were forwarded to you. After review by the Auditor, it was noticed that we had inadvertently switched the data for the years 1996 and 1997. This information has been corrected as shown on the attached List of Submittals. Enclosed are the original and 10 copies of Exhibit D1, E3, H1, H3 and H4. We will also send this information to all Parties of Record.

We apologize for any inconvenience this may have caused.

If you have any questions or need additional information, please feel free to contact us.

Yours very truly,

HUNTER MARTIN & ASSOCIATES, INC.

Rod H. Martin, P.E.

RHM:dc

Enclosures

cc: Parties of Record

HICKORY WATER DISTRICT
HICKORY, GRAVES CO., KY
PARTIES OF RECORD

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Rate Division
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Mr. Rod H. Martin, P.E.
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Paducah, KY 42003

Brad Davis
Purchase Area Development District
1002 Medical Drive
Mayfield, KY 42066

**HICKORY WATER DISTRICT
GRAVES COUNTY, KENTUCKY**

PSC CASE NO. 99-084

IN THE MATTER OF THE APPLICATION FOR:
(1) CONSTRUCTION, (2) FINANCING AND (3) RATES

RECEIVED

MAR 15 1999

PUBLIC SERVICE
COMMISSION

LIST OF SUBMITTALS

March 11, 1999

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3/9/99	- Summary of Annual Debt Service Requirements For Long Term Debt	1
	<u>EXHIBIT B</u>	
3/9/99	- B1 - Current Rate Structure	1
3/9/99	- B2 - Proposed Rate Structure	1
3/9/99	- B3 - Proposed Tariff PSC No. 4	3
3/9/99	- B4 - Comparative Form of New and Old Tariffs	2
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3/9/99	- Agreement for Engineering Services No. 116 between the District and Hunter Martin & Associates, Inc. dated 8/28/97	24
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REV. 3/11/99	- D1 - Summary Of Revenues And Expenses For Calendar Years 1991 through 1997	1
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3/9/99	- E1 - Summary Of Useage And Revenue - Year Ending December, 1997	1
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3/9/99	- J1 - Plans and Specifications For "1998 INDUSTRIAL PARK WATER SYSTEM IMPROVEMENTS (BOOSTER PUMP STATION AND MAINS), CONTRACT A", Dated April, 1998 (Bid October, 1998) - Set Nos. 10, 11, & 12	BOUND SEP.
3/9/99	- J2 - Plans and Specifications For "1998 INDUSTRIAL PARK WATER SYSTEM IMPROVEMENTS (500,000 GALLON ELEVATED TANK), CONTRACT B", Dated April, 1998 (Bid October, 1998) - Set Nos. 10, 11, & 12	BOUND SEP.
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HICKORY WATER DISTRICT

Graves County, Kentucky

Summary Of Revenue & Expenses

	YEAR ENDING DECEMBER 1991	YEAR ENDING DECEMBER 1992	YEAR ENDING DECEMBER 1993	YEAR ENDING DECEMBER 1994	YEAR ENDING DECEMBER 1995	YEAR ENDING DECEMBER 1996	YEAR ENDING DECEMBER 1997
OPERATING REVENUE:							
Water Sales	\$207,304.00	\$219,625.00	\$219,226.00	\$223,926.00	\$226,553.00	\$237,238.00	\$241,784.00
Miscellaneous Service Revenue	\$4,241.00	\$4,539.00	\$4,855.00	\$4,781.00	\$5,491.00	\$0.00	\$0.00
SUBTOTAL - OPERATING REVENUE	\$211,545.00	\$224,164.00	\$224,081.00	\$228,707.00	\$232,044.00	\$237,238.00	\$241,784.00
OPERATING EXPENSES:							
Purchased Power	\$18,617.00	\$17,413.00	\$17,599.00	\$18,049.00	\$21,841.00	\$18,950.00	\$20,824.00
Chemicals	\$6,529.00	\$8,612.00	\$10,677.00	\$7,789.00	\$4,470.00	\$11,994.00	\$14,311.00
Materials and Supplies	\$9,548.00	\$6,333.00	\$7,761.00	\$15,291.00	\$11,825.00	\$11,909.00	\$11,442.00
Contractual Services	\$78,019.00	\$70,015.00	\$70,055.00	\$81,627.00	\$92,569.00	\$105,543.00	\$98,097.00
Rents	\$0.00	\$0.00	\$700.00	\$1,010.00	\$0.00	\$0.00	\$0.00
Insurance	\$1,481.00	\$1,509.00	\$1,689.00	\$1,503.00	\$1,909.00	\$2,878.00	\$1,465.00
Miscellaneous Expenses	\$1,391.00	\$1,655.00	\$1,563.00	\$1,678.00	\$1,383.00	\$1,491.00	\$1,037.00
Regulatory Commission Expense						\$291.00	\$445.00
Depreciation	\$48,630.00	\$47,013.00	\$48,039.00	\$49,101.00	\$54,792.00	\$56,522.00	\$59,299.00
Other Taxes	\$251.00	\$303.00	\$358.00	\$358.00	\$345.00	\$0.00	\$0.00
SUBTOTAL - OPERATING EXPENSE	\$164,466.00	\$152,853.00	\$158,441.00	\$176,406.00	\$189,134.00	\$209,578.00	\$206,920.00
OPERATING INCOME	\$47,079.00	\$71,311.00	\$65,640.00	\$52,301.00	\$42,910.00	\$27,660.00	\$34,864.00
OTHER INCOME (EXPENSE)							
Interest Income	\$4,392.00	\$6,169.00	\$6,511.00	\$6,348.00	\$6,696.00	\$6,862.00	\$5,912.00
Interest - Long Term Debt	(\$29,254.00)	(\$28,100.00)	(\$26,789.00)	(\$25,577.00)	(\$24,237.00)	(\$25,267.00)	(\$21,302.00)
SUBTOTAL - OTHER INCOME (EXPENSE)	(\$24,862.00)	(\$21,931.00)	(\$20,278.00)	(\$19,229.00)	(\$17,541.00)	(\$18,405.00)	(\$15,390.00)
NET INCOME (LOSS)	\$22,217.00	\$49,380.00	\$45,362.00	\$33,072.00	\$25,369.00	\$9,255.00	\$19,474.00

HICKORY WATER DISTRICT
Graves County, Kentucky

HISTORY OF REVENUE REQUIREMENTS PER PSC GUIDELINES

	1995	1996	1997
Operating Expenses	\$189,134.00	\$209,578.00	\$206,920.00
Average Annual Debt Service	\$63,262.50	\$63,162.50	\$63,062.50
20% Debt Service Coverage	\$12,652.50	\$12,632.50	\$12,612.50
TOTAL REVENUE REQUIREMENTS	\$265,049.00	\$285,373.00	\$282,595.00
Operating Revenue From Audit	\$232,044.00	\$237,238.00	\$241,784.00
Interest Income	\$6,696.00	\$6,862.00	\$5,912.00
TOTAL REVENUE	\$238,740.00	\$244,100.00	\$247,696.00
REQUIRED INCREASE IN REVENUE	\$26,309.00	\$41,273.00	\$34,899.00
WATER SALES:			
Water Sales From Audit	\$226,553.00	\$237,238.00	\$241,784.00
Required Increase In Revenue	\$26,309.00	\$41,273.00	\$34,899.00
AMOUNT REQUIRED FROM WATER SALES	\$252,862.00	\$278,511.00	\$276,683.00

HICKORY WATER DISTRICT
Graves County, Kentucky

Summary Of Revenue & Expenses
PROFORMA CALCULATIONS

	YEAR ENDING DECEMBER 1997	ADJ	REF	PROFOMA PERIOD AMOUNT
OPERATING REVENUE:				
Water Sales	\$241,784.00	\$10,975.07	(1)	\$252,759.07
Miscellaneous Service Revenue	\$0.00			\$0.00
SUBTOTAL - OPERATING REVENUE	\$241,784.00			\$252,759.07
OPERATING EXPENSES:				
Purchased Power	\$20,824.00	\$4,860.00	(2)	\$25,684.00
Chemicals	\$14,311.00			\$14,311.00
Materials and Supplies	\$11,442.00			\$11,442.00
Contractual Services	\$98,097.00			\$98,097.00
Rents	\$0.00			\$0.00
Insurance	\$1,465.00			\$1,465.00
Miscellaneous Expenses	\$1,037.00			\$1,037.00
Regulatory Commission Expense	\$445.00			\$445.00
Depreciation	\$59,299.00	\$19,416.50	(3)	\$78,715.50
Other Taxes	\$0.00			\$0.00
SUBTOTAL - OPERATING EXPENSE	\$206,920.00			\$231,196.50
OPERATING INCOME	\$34,864.00			\$21,562.57
OTHER INCOME (EXPENSE)				
Interest Income	\$5,912.00			\$5,912.00
Interest - Long Term Debt	(\$21,302.00)	(\$7,783.00)	(4)	(\$29,085.00)
SUBTOTAL - OTHER INCOME (EXPENSE)	(\$15,390.00)			(\$23,173.00)
NET INCOME (LOSS)	\$19,474.00			(\$1,610.44)

HICKORY WATER DISTRICT

Graves County, Kentucky

Summary Of Revenue & Expenses PROFORMA NOTES

Number	Description		
1.	Adjustment of Revenue Generated reported in the Financial Report with the amount calculated from the billing analysis for the Year Ending 8/98.		
	Billing Analysis	\$252,759.07	
	Financial Statement	<u>\$241,784.00</u>	
	Net Adjustment		\$10,975.07
2.	Adjustment for Purchased Power due to increased pumping cost from new High Service Pump.		
	0.75 kw/HP * 30 HP =	22.5 KW	
	22.5 kw * 8Hrs/Day =	180 KWH	
	180 KWH * 30 Days =	5,400 KWH/Mo.	
	5,400 KWH/Mo. @ \$0.075 / KWH =	\$405.00	
	\$405.0 / Mo. * 12 Months / Yr. =	\$4,860.00	
	Net Adjustment		\$4,860.00
3.	Adjustment to Depreciation Schedule for abandoned items and new facilities put on line.		
	Exist. tank to be abandoned	From Records	(\$550.00)
	New Elevated Tank	\$517,360.00	2.50% \$12,934.00
	Pumps, Piping & Electrical	\$59,300.00	5.00% \$2,965.00
	New Distribution Mains	\$162,500.00	2.00% \$3,250.00
	Building Additions	\$32,700.00	2.50% \$817.50
	Net Adjustment For Depreciation		<u>\$19,416.50</u>
4.	Adjustment to Interest for Longterm Debt		
	Proforma Interest		
	1996 Issue	\$13,425.00	
	1982 Issue	\$5,100.00	
	New Issue	<u>\$10,560.00</u>	
	Subtotal - Interest Long Term	\$29,085.00	
	Current Interest	<u>\$21,302.00</u>	
	Subtotal - Adjustment		\$7,783.00

HICKORY WATER DISTRICT
Graves County, Kentucky

PROFORMA
REVENUE REQUIREMENTS PER PSC GUIDELINES

	PROFORMA	
	PERIOD	
Operating Expenses	\$231,196.50	
Average Annual Debt Service (3 Year Avg.)		
Existing P&I	\$61,683.33	
KIA Loan 2% for 20 Years	\$32,290.75	
20% Debt Service Coverage (KIA Only)	\$6,458.15	
Subtotal - Annual Debt Service	\$100,432.23	
TOTAL REVENUE REQUIREMENTS		\$331,628.73
Operating Revenue - Pro Forma	\$252,759.07	
Interest Income	\$5,912.00	
TOTAL REVENUE		\$258,671.07
REQUIRED INCREASE IN REVENUE		\$72,957.67
WATER SALES:		
Water Sales From User Analysis	\$252,759.07	
Required Increase In Revenue	\$72,957.67	
AMOUNT REQUIRED FROM WATER SALES		\$325,716.73



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION

730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

March 11, 1999

To: All parties of record

RE: Case No. 99-084
HICKORY WATER DISTRICT
(Construct, Rates, Financing) 1998 INDUSTRIAL PARK WATER SYSTEM

This letter is to acknowledge receipt of initial application in the above case. The application was date-stamped received March 10, 1999 and has been assigned Case No. 99-084. In all future correspondence or filings in connection with this case, please reference the above case number.

If you need further assistance, please contact my staff at 502/564-3940.

Sincerely,
Stephanie Bell

Stephanie Bell
Secretary of the Commission

SB/jc

Honorable Gayle B. Robbins
Attorney at Law
101 South 7th Street
Mayfield, KY. 42066

Kentucky Infrastructure Authority
261 Capitol Annex
Frankfort, KY. 40601

Reed & Company, CPA
231 North 7th Street
Mayfield, KY. 42066

Attorney General
Utility Intervention & Rate Division
P. O. Box 2000
Frankfort, KY. 40601

Mr. Robert H. Sullivan
Chairman
Hickory Water District
P. O. Box 128
Hickory, KY. 42051

Mr. Rod H. Martin
Hunter Martin & Associates, Inc.
3220 Lone Oak Road
Paducah, KY. 42003

Brad Davis
Purchase Area Development District
1002 Medical Drive
Mayfield, KY. 42066



"Established 1952"

HUNTER MARTIN & ASSOCIATES, INC.

ENGINEERS & SURVEYORS

3220 LONE OAK ROAD * PADUCAH, KENTUCKY 42003
(502) 554-2737 * FAX (502) 554-2738

HUNTER H. MARTIN (1924 - 1997)
Founder

ROD H. MARTIN, P.E./L.S.
President

MICHAEL GARDNER
Vice President

BETTY J. GARDNER
Secretary/Treasurer

March 10, 1999

Honorable Helen C. Helton, Executive Director
Public Service Commission
P. O. Box 615
730 Schenkel Lane
Frankfort, KY 40601

Case No. 99-084

RECEIVED
MAR 12 1999
PUBLIC SERVICE
COMMISSION

Dear Ms. Helton:

RE: HICKORY WATER DISTRICT, GRAVES COUNTY, KENTUCKY - IN THE MATTER OF THE APPLICATION OF HICKORY WATER DISTRICT FOR: (1) ISSUANCE OF A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY FOR CONSTRUCTION OF THE 1998 INDUSTRIAL PARK WATER SYSTEM IMPROVEMENTS; (2) AUTHORIZATION TO BORROW \$528,000 FROM KENTUCKY INFRASTRUCTURE AUTHORITY; AND (3) AUTHORIZATION TO RAISE RATES TO PAY FOR THE ADDITIONAL INDEBTEDNESS

On March 9, 1999, the original and 10 copies of documents for the above referenced Application were forwarded to you. Enclosed are the original and 10 copies of the fully executed Application. We will also send an executed copy of the Application to all Parties of Record.

If you have any questions or need additional information, please feel free to contact us.

Yours very truly,

HUNTER MARTIN & ASSOCIATES, INC.


Rod H. Martin, P.E.

RHM:dc

Enclosures

cc: Parties of Record

Before the Public Service Commission

RECEIVED
MAR 12 1999
PUBLIC SERVICE
COMMISSION

IN THE MATTER OF THE APPLICATION OF)
HICKORY WATER DISTRICT FOR:)

- (1) ISSUANCE OF A CERTIFICATE OF)
PUBLIC CONVENIENCE AND)
NECESSITY FOR CONSTRUCTION OF)
THE 1998 INDUSTRIAL PARK WATER)
SYSTEM IMPROVEMENTS;)
- (2) AUTHORIZATION TO BORROW)
\$528,000 FROM KENTUCKY)
INFRASTRUCTURE AUTHORITY;)
AND)
- (3) AUTHORIZATION TO RAISE RATES)
TO PAY FOR THE ADDITIONAL)
INDEBTEDNESS.)

No. 99-084

APPLICATION

This Application of HICKORY WATER DISTRICT (the "Applicant") of Graves County, Kentucky, respectfully states:

- 1. Applicant is a water district of Graves County, Kentucky, created and existing under and by virtue of Chapter 74 of the Kentucky Revised Statutes, pursuant to a judgment of the County Court of Graves County, Kentucky, duly entered on September 11, 1964.

2. The post office address of the Applicant is:

Hickory Water District
P. O. Box 128
Hickory, KY 42051

3. The Applicant is not authorized to issue common stock and has no stock of any kind. No other forms of stock are authorized and no transactions regarding assets or dividends have occurred.
4. The governing body of Hickory Water District consists of 3 Commissioners duly appointed by the County Judge Executive of Graves County with approval of the Fiscal Court. The present Commissioners are:
- Robert H. Sullivan, Chairman
Tommy C. Green, Secretary
Sam E. Davis, Jr., Treasurer
5. The Applicant's Annual Reports, including the Annual Report for 1998, are on file with the Commission in accordance with 807 KAR 5:006, Section 3(1).
6. The boundaries of the District are on file with the Commission through previous cases which are incorporated herein as a part of this Application.
7. All outstanding bonds were issued pursuant to Orders of the Public Service Commission in previous cases and they are requested to be incorporated herein as a part of this Application.
8. By Order dated September 18, 1995 (Case No. 95-391), the District was given until December 31, 2000, to bring the requirement for water storage facilities into compliance with Commission Regulation 807 KAR 5:066, Section 4(4).
9. In 1995/96 the Mayfield-Graves County Local Development Corporation and the Industrial Board of Mayfield-Graves County developed Industrial Park No. 3 located within the Hickory Water District along U.S. Highway 45. The first industry to locate in this park was Remington Firearms, Inc. There are additional prospects for later this year.

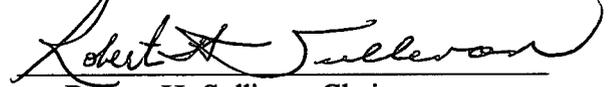
Because this project was related to economic development in Graves County, it qualified for grant monies to improve the infrastructure of the park. The primary need was a reliable source of water for potable use and fire protection.

However, in addition to providing service for the Industrial Park, this project also addresses deficiencies throughout the District. It adds 500,000 gallons of water storage to the system and by increasing the height of the new tank, low pressure areas are resolved.

10. In April, 1997, a \$500,000 grant was received from U.S. Department Of Commerce, Economic Development Administration. Additionally, a commitment was received from the Kentucky Infrastructure Authority for a \$528,000 loan at 1.8%.
11. The Plans and Specifications of the 1998 Industrial Park Water System Improvements Project were prepared by the District's Engineer, Hunter Martin & Associates, Inc. and have been approved by the Kentucky Division of Water by letter dated July 14, 1998. The Applicant has advertised for construction bids for said 1998 Project and bids were received Friday, October 16, 1998. Approval of the Commission is urgently required to enable the Applicant to begin construction in order to serve the water needs of potential customers in the new areas to be served.
12. Exhibits detailing supporting documentation are submitted herewith and are requested to be made a part of this Application.
13. The Parties of Record are submitted herewith and it is requested that it be made a part of the Application.

WHEREFORE, the Applicant, **HICKORY WATER DISTRICT**, respectfully requests an Order approving issuance of a Certificate of Convenience and Necessity for construction of the 1998 Industrial Park Water System Improvements; authorization to borrow \$528,000 from Kentucky Infrastructure Authority; and authorization to raise rates to pay for the additional indebtedness.

HICKORY WATER DISTRICT



Robert H. Sullivan, Chairman

ATTORNEY FOR PETITIONER:

Gayle B. Robbins
Attorney At Law
101 South 7th Street
Mayfield, KY 42066

STATEMENT BY APPLICANT:

The undersigned, ROBERT H. SULLIVAN, Chairman of the **HICKORY WATER DISTRICT**, hereby verifies that he has personal knowledge of the matters set forth in the above stated application, that the information set forth therein is true and correct and that he is duly designated by **HICKORY WATER DISTRICT** to sign this application on its behalf.



Robert H. Sullivan, Chairman

STATE OF KENTUCKY
COUNTY OF

Subscribed and sworn to before me this 8th day of March, 1999, by

ROBERT H. SULLIVAN, CHAIRMAN OF HICKORY WATER DISTRICT.

My Commission Expires: 3-19-2000



Notary Public, State of Kentucky at Large

(Seal)



"Established 1952"

HUNTER MARTIN & ASSOCIATES, INC.

ENGINEERS & SURVEYORS

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ROD H. MARTIN, P.E./L.S.
President

MICHAEL GARDNER
Vice President

BETTY J. GARDNER
Secretary/Treasurer

FILED

APR 15 1999

**PUBLIC SERVICE
COMMISSION**

March 9, 1999

RECEIVED

MAR 10 1999

**PUBLIC SERVICE
COMMISSION**

Honorable Helen C. Helton, Executive Director
Public Service Commission
P. O. Box 615
730 Schenkel Lane
Frankfort, KY 40602

Dear Ms. Helton:

Case 99-084

RE: HICKORY WATER DISTRICT, GRAVES COUNTY, KENTUCKY - IN THE MATTER OF THE APPLICATION OF HICKORY WATER DISTRICT FOR: (1) ISSUANCE OF A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY FOR CONSTRUCTION OF THE 1998 INDUSTRIAL PARK WATER SYSTEM IMPROVEMENTS; (2) AUTHORIZATION TO BORROW \$528,000 FROM KENTUCKY INFRASTRUCTURE AUTHORITY; AND (3) AUTHORIZATION TO RAISE RATES TO PAY FOR THE ADDITIONAL INDEBTEDNESS

We are pleased to submit herewith the original and ten copies of the Application and Exhibits (as shown in the List of Submittals) dated March 9, 1999.

Copies of the Application and Exhibits are also being forwarded to all Parties of Record (attached). Please note that three copies of Exhibits J1 and J2 are being forwarded to your office only since they are engineering documents.

If you have any questions or need any additional information, please feel free to contact me.

Yours very truly,

HUNTER MARTIN & ASSOCIATES, INC.

Rod H. Martin, P.E.

RHM:dc

Enclosures

HICKORY WATER DISTRICT
HICKORY, GRAVES CO., KY
PARTIES OF RECORD

March 9, 1999

Honorable Helen C. Helton, Executive Director
Kentucky Public Service Commission
730 Schenkle Lane
P. O. Box 615
Frankfort, KY 40602

Gayle B. Robbins
Attorney at Law
01 S. 7th Street
Mayfield, KY 42066

Kentucky Infrastructure Authority
261 Capitol Annex
Frankfort, KY 40601

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231 N. 7th Street
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Mayfield, KY 42066

**HICKORY WATER DISTRICT
HICKORY, GRAVES COUNTY, KENTUCKY**

APPLICATION CASE 99-084
RECEIVED
AND MAR 10 1999
EXHIBITS PUBLIC SERVICE
COMMISSION

IN THE MATTER OF THE APPLICATION FOR:

- (1) ISSUANCE OF A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY FOR CONSTRUCTION OF THE 1998 INDUSTRIAL PARK WATER SYSTEM IMPROVEMENTS;**
- (2) AUTHORIZATION TO BORROW \$528,000 FROM KENTUCKY INFRASTRUCTURE AUTHORITY; AND**
- (3) AUTHORIZATION TO RAISE RATES TO PAY FOR THE ADDITIONAL INDEBTEDNESS**

MARCH, 1999

**HICKORY WATER DISTRICT
GRAVES COUNTY, KENTUCKY**

PSC CASE NO. 99-084

IN THE MATTER OF THE APPLICATION FOR:
(1) CONSTRUCTION, (2) FINANCING AND (3) RATES

LIST OF SUBMITTALS

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3/9/99	- F1 - EDA Financial Assistance Award dated April, 1997	5
3/9/99	F2 - KIA Conditional Loan Commitment Letter dated September 28, 1998	5
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3/9/99	- J2 - Plans and Specifications For "1998 INDUSTRIAL PARK WATER SYSTEM IMPROVEMENTS (500,000 GALLON ELEVATED TANK), CONTRACT B", Dated April, 1998 (Bid October, 1998) - Set Nos. 10, 11, & 12	BOUND SEP.
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3/9/99	- L1 - Notice Of Change Of Rates	1
3/9/99	- L2 - Publisher's Affidavit	1
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3/9/99	- L4 - Notice dated January 23, 1999 Sent to all Customers	2

Before the Public Service Commission

IN THE MATTER OF THE APPLICATION OF)
HICKORY WATER DISTRICT FOR:)

No. _____

- (1) ISSUANCE OF A CERTIFICATE OF)
PUBLIC CONVENIENCE AND)
NECESSITY FOR CONSTRUCTION OF)
THE 1998 INDUSTRIAL PARK WATER)
SYSTEM IMPROVEMENTS;)
- (2) AUTHORIZATION TO BORROW)
\$528,000 FROM KENTUCKY)
INFRASTRUCTURE AUTHORITY;)
AND)
- (3) AUTHORIZATION TO RAISE RATES)
TO PAY FOR THE ADDITIONAL)
INDEBTEDNESS.)

APPLICATION

This Application of HICKORY WATER DISTRICT (the "Applicant") of Graves County, Kentucky, respectfully states:

- 1. Applicant is a water district of Graves County, Kentucky, created and existing under and by virtue of Chapter 74 of the Kentucky Revised Statutes, pursuant to a judgment of the County Court of Graves County, Kentucky, duly entered on September 11, 1964.

2. The post office address of the Applicant is:

Hickory Water District
P. O. Box 128
Hickory, KY 42051

3. The Applicant is not authorized to issue common stock and has no stock of any kind. No other forms of stock are authorized and no transactions regarding assets or dividends have occurred.
4. The governing body of Hickory Water District consists of 3 Commissioners duly appointed by the County Judge Executive of Graves County with approval of the Fiscal Court. The present Commissioners are:
- Robert H. Sullivan, Chairman
Tommy C. Green, Secretary
Sam E. Davis, Jr., Treasurer
5. The Applicant's Annual Reports, including the Annual Report for 1998, are on file with the Commission in accordance with 807 KAR 5:006, Section 3(1).
6. The boundaries of the District are on file with the Commission through previous cases which are incorporated herein as a part of this Application.
7. All outstanding bonds were issued pursuant to Orders of the Public Service Commission in previous cases and they are requested to be incorporated herein as a part of this Application.
8. By Order dated September 18, 1995 (Case No. 95-391), the District was given until December 31, 2000, to bring the requirement for water storage facilities into compliance with Commission Regulation 807 KAR 5:066, Section 4(4).
9. In 1995/96 the Mayfield-Graves County Local Development Corporation and the Industrial Board of Mayfield-Graves County developed Industrial Park No. 3 located within the Hickory Water District along U.S. Highway 45. The first industry to locate in this park was Remington Firearms, Inc. There are additional prospects for later this year.

Because this project was related to economic development in Graves County, it qualified for grant monies to improve the infrastructure of the park. The primary need was a reliable source of water for potable use and fire protection.

However, in addition to providing service for the Industrial Park, this project also addresses deficiencies throughout the District. It adds 500,000 gallons of water storage to the system and by increasing the height of the new tank, low pressure areas are resolved.

10. In April, 1997, a \$500,000 grant was received from U.S. Department Of Commerce, Economic Development Administration. Additionally, a commitment was received from the Kentucky Infrastructure Authority for a \$528,000 loan at 1.8%.
11. The Plans and Specifications of the 1998 Industrial Park Water System Improvements Project were prepared by the District's Engineer, Hunter Martin & Associates, Inc. and have been approved by the Kentucky Division of Water by letter dated July 14, 1998. The Applicant has advertised for construction bids for said 1998 Project and bids were received Friday, October 16, 1998. Approval of the Commission is urgently required to enable the Applicant to begin construction in order to serve the water needs of potential customers in the new areas to be served.
12. Exhibits detailing supporting documentation are submitted herewith and are requested to be made a part of this Application.
13. The Parties of Record are submitted herewith and it is requested that it be made a part of the Application.

WHEREFORE, the Applicant, **HICKORY WATER DISTRICT**, respectfully requests an Order approving issuance of a Certificate of Convenience and Necessity for construction of the 1998 Industrial Park Water System Improvements; authorization to borrow \$528,000 from Kentucky Infrastructure Authority; and authorization to raise rates to pay for the additional indebtedness.

HICKORY WATER DISTRICT

Robert H. Sullivan, Chairman

ATTORNEY FOR PETITIONER:

Gayle B. Robbins
Attorney At Law
101 South 7th Street
Mayfield, KY 42066

STATEMENT BY APPLICANT:

The undersigned, **ROBERT H. SULLIVAN**, Chairman of the **HICKORY WATER DISTRICT**, hereby verifies that he has personal knowledge of the matters set forth in the above stated application, that the information set forth therein is true and correct and that he is duly designated by **HICKORY WATER DISTRICT** to sign this application on its behalf.

Robert H. Sullivan, Chairman

STATE OF KENTUCKY
COUNTY OF _____

Subscribed and sworn to before me this _____ day of _____, 19____, by

ROBERT H. SULLIVAN, CHAIRMAN OF HICKORY WATER DISTRICT.

My Commission Expires: _____

Notary Public, State of Kentucky at Large

(Seal)

HICKORY WATER DISTRICT
HICKORY, GRAVES CO., KY
PARTIES OF RECORD

March 9, 1999

Honorable Helen C. Helton, Executive Director
Kentucky Public Service Commission
730 Schenke Lane
P. O. Box 615
Frankfort, KY 40602

Gayle B. Robbins
Attorney at Law
101 S. 7th Street
Mayfield, KY 42066

Kentucky Infrastructure Authority
261 Capitol Annex
Frankfort, KY 40601

Reed & Company, CPA
231 N. 7th Street
Mayfield, KY 42066

Attorney General
Utility Intervention &
Rate Division
P. O. Box 2000
Frankfort, KY 40601

Mr. Robert H. Sullivan
Chairman
Hickory Water District
P. O. Box 128
Hickory, KY 42051

Mr. Rod H. Martin, P.E.
Hunter Martin & Associates, Inc.
3220 Lone Oak Road
Paducah, KY 42003

Brad Davis
Purchase Area Development District
1002 Medical Drive
Mayfield, KY 42066

STOCK# 91800



HICKORY WATER DISTRICT

Graves County, Kentucky

SUMMARY OF ANNUAL DEBT SERVICE REQUIREMENTS FOR LONG TERM DEBT

Existing Annual Debt Service - 1996 Issue (\$1,000,000)				
3.75% For 40 Years				
Year				
Ending	Balance	Principal	Interest	Total
1995	\$506,000.00	\$35,000.00	\$18,975.00	\$55,737.50
1996	\$471,000.00	\$36,000.00	\$17,662.50	\$55,737.50
1997	\$435,000.00	\$38,000.00	\$16,312.50	\$55,737.50
1998	\$397,000.00	\$39,000.00	\$14,887.50	\$53,887.50
1999	\$358,000.00	\$41,000.00	\$13,425.00	\$54,425.00
2000	\$317,000.00	\$42,000.00	\$11,887.50	\$53,887.50
2001	\$275,000.00	\$44,000.00	\$10,312.50	\$54,312.50
2002	\$231,000.00	\$45,000.00	\$8,662.50	\$53,662.50
2003	\$186,000.00	\$47,000.00	\$6,975.00	\$53,975.00
2004	\$139,000.00	\$49,000.00	\$5,212.50	\$54,212.50
2005	\$90,000.00	\$52,000.00	\$3,375.00	\$55,375.00
2006	\$38,000.00	\$38,000.00	\$1,425.00	\$39,425.00
Existing Annual Debt Service - 1982 Issue (\$127,000)				
5.00% For 39 Years				
Year				
Ending	Balance	Principal	Interest	Total
1995	\$110,500.00	\$2,000.00	\$5,525.00	\$7,525.00
1996	\$108,500.00	\$2,000.00	\$5,425.00	\$7,425.00
1997	\$106,500.00	\$2,000.00	\$5,325.00	\$7,325.00
1998	\$104,500.00	\$2,500.00	\$5,225.00	\$7,725.00
1999	\$102,000.00	\$2,500.00	\$5,100.00	\$7,600.00
2000	\$99,500.00	\$2,500.00	\$4,975.00	\$7,475.00
2001	\$97,000.00	\$2,500.00	\$4,850.00	\$7,350.00
2002	\$94,500.00	\$3,000.00	\$4,725.00	\$7,725.00
2003	\$91,500.00	\$3,000.00	\$4,575.00	\$7,575.00
2004	\$88,500.00	\$3,000.00	\$4,425.00	\$7,425.00
2005	\$85,500.00	\$3,500.00	\$4,275.00	\$7,775.00
2006	\$82,000.00	\$3,500.00	\$4,100.00	\$7,600.00
2007	\$78,500.00	\$3,500.00	\$3,925.00	\$7,425.00
2008	\$75,000.00	\$4,000.00	\$3,750.00	\$7,750.00
2009	\$71,000.00	\$4,000.00	\$3,550.00	\$7,550.00
2010	\$67,000.00	\$4,000.00	\$3,350.00	\$7,350.00
2011	\$63,000.00	\$4,500.00	\$3,150.00	\$7,650.00
2012	\$58,500.00	\$4,500.00	\$2,925.00	\$7,425.00
2013	\$54,000.00	\$5,000.00	\$2,700.00	\$7,700.00
2014	\$49,000.00	\$5,000.00	\$2,450.00	\$7,450.00
2015	\$44,000.00	\$5,500.00	\$2,200.00	\$7,700.00
2016	\$38,500.00	\$5,500.00	\$1,925.00	\$7,425.00
2017	\$33,000.00	\$6,000.00	\$1,650.00	\$7,650.00
2018	\$27,000.00	\$6,500.00	\$1,350.00	\$7,850.00
2019	\$20,500.00	\$6,500.00	\$1,025.00	\$7,525.00
2020	\$14,000.00	\$7,000.00	\$700.00	\$7,700.00
2021	\$7,000.00	\$7,000.00	\$350.00	\$7,350.00

HICKORY WATER DISTRICT
Graves County, Kentucky

Current Rate Structure

TABLE 1

HWD - RATE STRUCTURE - 3/4" METERS							
From	0	To	2,000 Gallons	Or	First	2,000 Gallons	\$6.50 Minimum
From	2,001	To	5,000 Gallons	Or	Next	3,000 Gallons	\$2.70 Per 1,000 Gallons
From	5,001	To	10,000 Gallons	Or	Next	5,000 Gallons	\$2.00 Per 1,000 Gallons
From	10,001	To	20,000 Gallons	Or	Next	10,000 Gallons	\$1.65 Per 1,000 Gallons
From	20,001	To	50,000 Gallons	Or	Next	30,000 Gallons	\$1.20 Per 1,000 Gallons
From	50,001	To	100,000 Gallons	Or	Next	50,000 Gallons	\$0.85 Per 1,000 Gallons
Over			100,000 Gallons	Or	Over	100,000 Gallons	\$0.70 Per 1,000 Gallons

TABLE 2

HWD - RATE STRUCTURE - 1" METERS							
From	0	To	6,000 Gallons	Or	First	6,000 Gallons	\$16.60 Minimum
From	6,001	To	10,000 Gallons	Or	Next	4,000 Gallons	\$2.00 Per 1,000 Gallons
From	10,001	To	20,000 Gallons	Or	Next	10,000 Gallons	\$1.65 Per 1,000 Gallons
From	20,001	To	50,000 Gallons	Or	Next	30,000 Gallons	\$1.20 Per 1,000 Gallons
From	50,001	To	100,000 Gallons	Or	Next	50,000 Gallons	\$0.85 Per 1,000 Gallons
Over			100,000 Gallons	Or	Over	100,000 Gallons	\$0.70 Per 1,000 Gallons

TABLE 3

HWD - RATE STRUCTURE - 1-1/2" METERS							
From	0	To	7,500 Gallons	Or	First	7,500 Gallons	\$19.60 Minimum
From	7,501	To	10,000 Gallons	Or	Next	2,500 Gallons	\$2.00 Per 1,000 Gallons
From	10,001	To	20,000 Gallons	Or	Next	10,000 Gallons	\$1.65 Per 1,000 Gallons
From	20,001	To	50,000 Gallons	Or	Next	30,000 Gallons	\$1.20 Per 1,000 Gallons
From	50,001	To	100,000 Gallons	Or	Next	50,000 Gallons	\$0.85 Per 1,000 Gallons
Over			100,000 Gallons	Or	Over	100,000 Gallons	\$0.70 Per 1,000 Gallons

TABLE 4

HWD - RATE STRUCTURE - 2" METERS							
From	0	To	15,000 Gallons	Or	First	15,000 Gallons	\$32.85 Minimum
From	15,001	To	20,000 Gallons	Or	Next	5,000 Gallons	\$1.65 Per 1,000 Gallons
From	20,001	To	50,000 Gallons	Or	Next	30,000 Gallons	\$1.20 Per 1,000 Gallons
From	50,001	To	100,000 Gallons	Or	Next	50,000 Gallons	\$0.85 Per 1,000 Gallons
Over			100,000 Gallons	Or	Over	100,000 Gallons	\$0.70 Per 1,000 Gallons

TABLE 5

HWD - RATE STRUCTURE - 3 & 4" METERS							
From	0	To	100,000 Gallons	Or	First	100,000 Gallons	\$119.60 Minimum
Over			100,000 Gallons	Or	Over	100,000 Gallons	\$0.70 Per 1,000 Gallons

HICKORY WATER DISTRICT
Graves County, Kentucky

Proposed Rate Structure

TABLE 1										
HWD - RATE STRUCTURE - 3/4" METERS										
From	0	To	2,000	Gallons	Or	First	2,000	Gallons	\$7.90	Minimum
From	2,001	To	5,000	Gallons	Or	Next	3,000	Gallons	\$3.65	Per 1,000 Gallons
From	5,001	To	10,000	Gallons	Or	Next	5,000	Gallons	\$2.90	Per 1,000 Gallons
From	10,001	To	20,000	Gallons	Or	Next	10,000	Gallons	\$2.40	Per 1,000 Gallons
From	20,001	To	50,000	Gallons	Or	Next	30,000	Gallons	\$1.75	Per 1,000 Gallons
From	50,001	To	100,000	Gallons	Or	Next	50,000	Gallons	\$1.25	Per 1,000 Gallons
Over			100,000	Gallons	Or	Over	100,000	Gallons	\$1.00	Per 1,000 Gallons
TABLE 2										
HWD - RATE STRUCTURE - 1" METERS										
From	0	To	6,000	Gallons	Or	First	6,000	Gallons	\$21.75	Minimum
From	6,001	To	10,000	Gallons	Or	Next	4,000	Gallons	\$2.90	Per 1,000 Gallons
From	10,001	To	20,000	Gallons	Or	Next	10,000	Gallons	\$2.40	Per 1,000 Gallons
From	20,001	To	50,000	Gallons	Or	Next	30,000	Gallons	\$1.75	Per 1,000 Gallons
From	50,001	To	100,000	Gallons	Or	Next	50,000	Gallons	\$1.25	Per 1,000 Gallons
Over			100,000	Gallons	Or	Over	100,000	Gallons	\$1.00	Per 1,000 Gallons
TABLE 3										
HWD - RATE STRUCTURE - 1-1/2" METERS										
From	0	To	7,500	Gallons	Or	First	7,500	Gallons	\$26.10	Minimum
From	7,501	To	10,000	Gallons	Or	Next	2,500	Gallons	\$2.90	Per 1,000 Gallons
From	10,001	To	20,000	Gallons	Or	Next	10,000	Gallons	\$2.40	Per 1,000 Gallons
From	20,001	To	50,000	Gallons	Or	Next	30,000	Gallons	\$1.75	Per 1,000 Gallons
From	50,001	To	100,000	Gallons	Or	Next	50,000	Gallons	\$1.25	Per 1,000 Gallons
Over			100,000	Gallons	Or	Over	100,000	Gallons	\$1.00	Per 1,000 Gallons
TABLE 4										
HWD - RATE STRUCTURE - 2" METERS										
From	0	To	15,000	Gallons	Or	First	15,000	Gallons	\$45.35	Minimum
From	15,001	To	20,000	Gallons	Or	Next	5,000	Gallons	\$2.40	Per 1,000 Gallons
From	20,001	To	50,000	Gallons	Or	Next	30,000	Gallons	\$1.75	Per 1,000 Gallons
From	50,001	To	100,000	Gallons	Or	Next	50,000	Gallons	\$1.25	Per 1,000 Gallons
Over			100,000	Gallons	Or	Over	100,000	Gallons	\$1.00	Per 1,000 Gallons
TABLE 5										
HWD - RATE STRUCTURE - 3 & 4" METERS										
From	0	To	100,000	Gallons	Or	First	100,000	Gallons	\$172.35	Minimum
Over			100,000	Gallons	Or	Over	100,000	Gallons	\$1.00	Per 1,000 Gallons

P.S.C. Ky. No. 4

Cancels P.S.C. Ky. No. 3

HICKORY WATER DISTRICT

OF

HICKORY, GRAVES COUNTY, KENTUCKY

Rates, Rules and Regulations for Furnishing

WATER SERVICE

AT

HICKORY & LOWES, GRAVES COUNTY, KENTUCKY

Filed with PUBLIC SERVICE COMMISSION OF
KENTUCKY

ISSUED _____, 19 ____ EFFECTIVE _____, 19 ____

ISSUED BY: HICKORY WATER DISTRICT
(Name of Utility)

BY: _____

TITLE: ROBERT H. SULLIVAN, CHAIRMAN

FOR:

**HICKORY AND
LOWES, KENTUCKY**

P.S.C. NO.
SECOND

4
SHEET NO. 1

CANCELING P.S.C. NO.

2

HICKORY WATER DISTRICT

REVISED

SHEET NO. 1

CLASSIFICATION OF SERVICE

**RATE
PER UNIT**

CONNECTION FEE:

3/4 INCH WATER METER:

Monthly Rate

CONSUMPTION:

- First 2,000 Gallons - \$ 7.90 (Minimum Bill)
- Next 3,000 Gallons - 3.65 Per 1,000 Gallons
- Next 5,000 Gallons - 2.90 Per 1,000 Gallons
- Next 10,000 Gallons - 2.40 Per 1,000 Gallons
- Next 30,000 Gallons - 1.75 Per 1,000 Gallons
- Next 50,000 Gallons - 1.25 Per 1,000 Gallons
- Over 100,000 Gallons - 1.00 Per 1,000 Gallons

1 INCH WATER METER:

Monthly Rate

CONSUMPTION:

- First 6,000 Gallons - \$21.75 (Minimum Bill)
- Next 4,000 Gallons - 2.90 Per 1,000 Gallons
- Next 10,000 Gallons - 2.40 Per 1,000 Gallons
- Next 30,000 Gallons - 1.75 Per 1,000 Gallons
- Next 50,000 Gallons - 1.25 Per 1,000 Gallons
- Over 100,000 Gallons - 1.00 Per 1,000 Gallons

1 1/2 INCH WATER METER:

Monthly Rate

CONSUMPTION:

- First 7,500 Gallons - \$26.10 (Minimum Bill)
- Next 2,500 Gallons - 2.90 Per 1,000 Gallons
- Next 10,000 Gallons - 2.40 Per 1,000 Gallons
- Next 30,000 Gallons - 1.75 Per 1,000 Gallons
- Next 50,000 Gallons - 1.25 Per 1,000 Gallons
- Over 100,000 Gallons - 1.00 Per 1,000 Gallons

DATE OF ISSUE: _____
Month Day Year

DATE EFFECTIVE: _____
Month Day Year

ISSUED BY: ROBERT H. SULLIVAN CHAIRMAN P. O. Box 128, Hickory, Kentucky 42051
Name Of Officer Title Address

Issued by authority of an Order of the Public Service Commission of Kentucky in Case No. _____ dated _____

FOR:

**HICKORY AND
LOWES, KENTUCKY**

P.S.C. NO.

4

SECOND

SHEET NO.

1

CANCELING P.S.C. NO.

2

HICKORY WATER DISTRICT

REVISED

SHEET NO.

2

CLASSIFICATION OF SERVICE

(Continued)

**RATE
PER UNIT**

CONNECTION FEE:

2 INCH WATER METER:

Monthly Rate

CONSUMPTION:

First 15,000 Gallons	-	\$45.35 (Minimum Bill)
Next 5,000 Gallons	-	2.40 Per 1,000 Gallons
Next 30,000 Gallons	-	1.75 Per 1,000 Gallons
Next 50,000 Gallons	-	1.25 Per 1,000 Gallons
Over 100,000 Gallons	-	1.00 Per 1,000 Gallons

3 INCH AND 4 INCH WATER METERS:

Monthly Rate

CONSUMPTION:

First 100,000 Gallons	-	\$172.35 (Minimum Bill)
Over 100,000 Gallons	-	1.00 Per 1,000 Gallons

DATE OF ISSUE: _____
Month Day Year

DATE EFFECTIVE: _____
Month Day Year

ISSUED BY: **ROBERT H. SULLIVAN** **CHAIRMAN** **P. O. Box 128, Hickory, Kentucky 42051**
Name Of Officer Title Address

Issued by authority of an Order of the Public Service Commission of Kentucky in Case No. _____ dated _____

Form for Filing Rate Schedules

For Hickory & Loves, Kentucky
Community, Town or City

P.S.C. NO. _____

Revised SHEET NO. 1

CANCELLING P.S.C. NO. _____

Original SHEET NO. 1

Hickory Water District

Name of Issuing Corporation

FOR: HICKORY AND
LOWES, KENTUCKY

P.S.C. NO. _____

SECOND SHEET NO. 4

CANCELLING P.S.C. NO. _____

REVISED SHEET NO. 1

CLASSIFICATION OF SERVICE

RATE
PER UNIT

Connection Fee \$400.00

3/4 Inch Meter

Consumption

First	2,000 gallons	Monthly Rate	\$6.50 (Minimum Bill)
Next	3,000 gallons		2.70 per 1,000 gallons
Next	5,000 gallons		2.00 per 1,000 gallons
Next	10,000 gallons		1.65 per 1,000 gallons
Next	30,000 gallons		1.20 per 1,000 gallons
Next	50,000 gallons		.85 per 1,000 gallons
Over	100,000 gallons		.70 per 1,000 gallons

1 Inch Meter

First	6,000 gallons	Monthly Rate	\$16.60 (Minimum Bill)
Next	4,000 gallons		2.00 per 1,000 gallons
Next	10,000 gallons		1.65 per 1,000 gallons
Next	30,000 gallons		1.20 per 1,000 gallons
Next	50,000 gallons		.85 per 1,000 gallons
Over	100,000 gallons		.70 per 1,000 gallons

1 1/2 Inch Meter

First	7,500 gallons	Monthly Rate	\$19.60 (Minimum Bill)
Next	2,500 gallons		2.00 per 1,000 gallons
Next	10,000 gallons		1.65 per 1,000 gallons
Next	30,000 gallons		1.20 per 1,000 gallons
Next	50,000 gallons		.85 per 1,000 gallons
Over	100,000 gallons		.70 per 1,000 gallons

APR 25 1991

PURSUANT TO 807 KAR 5:011,
SECTION 9(1)

DATE OF ISSUE April 25, 1991

ISSUED BY Robert H. Sullivan

Name of Officer

TITLE Chairman

Issued by authority of an Order of the Public Service Commission of Kentucky in Case No. 90-613 dated 4/26/91

CLASSIFICATION OF SERVICE

RATE
PER UNIT

CONNECTION FEE:

3/4 INCH WATER METER:

CONSUMPTION:

First	2,000 Gallons	Monthly Rate	\$ 7.90 (Minimum Bill)
Next	3,000 Gallons		3.65 Per 1,000 Gallons
Next	5,000 Gallons		2.90 Per 1,000 Gallons
Next	10,000 Gallons		2.40 Per 1,000 Gallons
Next	30,000 Gallons		1.75 Per 1,000 Gallons
Next	50,000 Gallons		1.25 Per 1,000 Gallons
Over	100,000 Gallons		1.00 Per 1,000 Gallons

1 INCH WATER METER:

CONSUMPTION:

First	6,000 Gallons	Monthly Rate	\$21.75 (Minimum Bill)
Next	4,000 Gallons		2.90 Per 1,000 Gallons
Next	10,000 Gallons		2.40 Per 1,000 Gallons
Next	30,000 Gallons		1.75 Per 1,000 Gallons
Next	50,000 Gallons		1.25 Per 1,000 Gallons
Over	100,000 Gallons		1.00 Per 1,000 Gallons

1 1/2 INCH WATER METER:

CONSUMPTION:

First	7,500 Gallons	Monthly Rate	\$26.10 (Minimum Bill)
Next	2,500 Gallons		2.90 Per 1,000 Gallons
Next	10,000 Gallons		2.40 Per 1,000 Gallons
Next	30,000 Gallons		1.75 Per 1,000 Gallons
Next	50,000 Gallons		1.25 Per 1,000 Gallons
Over	100,000 Gallons		1.00 Per 1,000 Gallons

DATE OF ISSUE: _____ DATE EFFECTIVE: _____

Month _____ Day _____ Year _____ Month _____ Day _____ Year _____

ISSUED BY: ROBERT H. SULLIVAN CHAIRMAN P. O. Box 128, Hickory, Kentucky 42051

Name Of Officer

Address

Issued by authority of an Order of the Public Service Commission of Kentucky in Case No. _____ dated _____

Form for filing Rate Schedules

For Hickory & Loves, Kentucky
Community, Town or City

P.S.C. NO. _____
Revised, SHEET NO. 2
CANCELLING P.S.C. NO. _____
First Revised SHEET NO. 2

Hickory Water District
Name of Issuing Corporation

FOR: HICKORY AND
LOWES, KENTUCKY
P.S.C. NO. _____
SECOND SHEET NO. 4
CANCELING P.S.C. NO. _____
REVISED SHEET NO. 2

CLASSIFICATION OF SERVICE

RATE
PER UNIT

Consumption	Monthly Rate
2 Inch Meter	
First 15,000 gallons	\$32.85 (Minimum Bill)
Next 5,000 gallons	1.65 per 1,000 gallons
Next 30,000 gallons	1.20 per 1,000 gallons
Next 50,000 gallons	.85 per 1,000 gallons
Over 100,000 gallons	.70 per 1,000 gallons
3 and 4 Inch Meters	
First 100,000 gallons	\$119.60 (Minimum Bill)
Over 100,000 gallons	.70 per 1,000 gallons
Size of Meter Connection	
5/8" x 3/4"	\$400.00
3/4"	450.00
1"	500.00
1-1/2"	Actual Cost of Connection
2"	Actual Cost of Connection

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE

APR 25 1991
PURSUANT TO 807 KAR 5:011,
SECTION 9(1)

DATE OF ISSUE April 25, 1991
BY: Robert H. Sullivan Chairman
TITLE: Chairman
DATE EFFECTIVE: 4/24/91

ISSUED BY: Robert H. Sullivan Name of Officer
sued by authority of an Order of the Public Service Commission of Kentucky
Case No. 90-413 dated 4/24/91

(Continued)

CONNECTION FEE:

2 INCH WATER METER:

CONSUMPTION:

Consumption	Monthly Rate
First 15,000 Gallons	\$45.35 (Minimum Bill)
Next 5,000 Gallons	2.40 Per 1,000 Gallons
Next 30,000 Gallons	1.75 Per 1,000 Gallons
Next 50,000 Gallons	1.25 Per 1,000 Gallons
Over 100,000 Gallons	1.00 Per 1,000 Gallons

3 INCH AND 4 INCH WATER METERS:

CONSUMPTION:

Consumption	Monthly Rate
First 100,000 Gallons	\$172.35 (Minimum Bill)
Over 100,000 Gallons	1.00 Per 1,000 Gallons

CLASSIFICATION OF SERVICE

RATE
PER UNIT

DATE OF ISSUE: _____ DATE EFFECTIVE: _____

Month _____ Day _____ Year _____

ISSUED BY: ROBERT H. SULLIVAN CHAIRMAN P. O. Box 128, Hickory, Kentucky 42051
Name of Officer Title Address

Issued by authority of an Order of the Public Service Commission of Kentucky in Case No. _____ dated _____

HICKORY WATER DISTRICT

Analysis Of Rate Increase

RATE STRUCTURE								
				Existing	Proposed		Increase	Percent
Bracket 1	0	To	2,000 Gals.	\$6.50	\$7.90	Min.	\$1.40	21.54%
Bracket 2	2,001	To	5,000 Gals.	\$2.70	\$3.65	Per 1,000 Gals.	\$0.95	35.19%
Bracket 3	5,001	To	10,000 Gals.	\$2.00	\$2.90	Per 1,000 Gals.	\$0.90	45.00%
Bracket 4	10,001	To	20,000 Gals.	\$1.65	\$2.40	Per 1,000 Gals.	\$0.75	45.45%
Bracket 5	20,001	To	50,000 Gals.	\$1.20	\$1.75	Per 1,000 Gals.	\$0.55	45.83%
Bracket 6	50,001	To	100,000 Gals.	\$0.85	\$1.25	Per 1,000 Gals.	\$0.40	47.06%
Bracket 7	Over		100,000 Gals.	\$0.70	\$1.00	Per 1,000 Gals.	\$0.30	42.86%

TYPICAL MONTHLY BILLS						
Usage			Existing	Proposed	Increase	Percent
Bracket 1	2,000 Gals.		\$6.50	\$7.90	\$1.40	21.54%
Bracket 2	3,000 Gals.		\$9.20	\$11.55	\$2.35	25.54%
Bracket 2	4,000 Gals.		\$11.90	\$15.20	\$3.30	27.73%
Bracket 2	5,000 Gals.		\$14.60	\$18.85	\$4.25	29.11%
Bracket 3	6,000 Gals.		\$16.60	\$21.75	\$5.15	31.02%
Bracket 3	7,000 Gals.		\$18.60	\$24.65	\$6.05	32.53%
Bracket 3	8,000 Gals.		\$20.60	\$27.55	\$6.95	33.74%
Bracket 3	9,000 Gals.		\$22.60	\$30.45	\$7.85	34.73%
Bracket 3	10,000 Gals.		\$24.60	\$33.35	\$8.75	35.57%
Bracket 4	11,000 Gals.		\$26.25	\$35.75	\$9.50	36.19%
Bracket 4	12,000 Gals.		\$27.90	\$38.15	\$10.25	36.74%
Bracket 4	13,000 Gals.		\$29.55	\$40.55	\$11.00	37.23%
Bracket 4	14,000 Gals.		\$31.20	\$42.95	\$11.75	37.66%
Bracket 4	15,000 Gals.		\$32.85	\$45.35	\$12.50	38.05%
Bracket 4	16,000 Gals.		\$34.50	\$47.75	\$13.25	38.41%
Bracket 4	17,000 Gals.		\$36.15	\$50.15	\$14.00	38.73%
Bracket 4	18,000 Gals.		\$37.80	\$52.55	\$14.75	39.02%
Bracket 4	19,000 Gals.		\$39.45	\$54.95	\$15.50	39.29%
Bracket 4	20,000 Gals.		\$41.10	\$57.35	\$16.25	39.54%
Bracket 5	25,000 Gals.		\$47.10	\$66.10	\$19.00	40.34%
Bracket 5	30,000 Gals.		\$53.10	\$74.85	\$21.75	40.96%
Bracket 5	35,000 Gals.		\$59.10	\$83.60	\$24.50	41.46%
Bracket 5	40,000 Gals.		\$65.10	\$92.35	\$27.25	41.86%
Bracket 5	45,000 Gals.		\$71.10	\$101.10	\$30.00	42.19%
Bracket 5	50,000 Gals.		\$77.10	\$109.85	\$32.75	42.48%
Bracket 6	55,000 Gals.		\$81.35	\$116.10	\$34.75	42.72%
Bracket 6	60,000 Gals.		\$85.60	\$122.35	\$36.75	42.93%
Bracket 6	65,000 Gals.		\$89.85	\$128.60	\$38.75	43.13%
Bracket 6	70,000 Gals.		\$94.10	\$134.85	\$40.75	43.30%
Bracket 6	75,000 Gals.		\$98.35	\$141.10	\$42.75	43.47%
Bracket 6	80,000 Gals.		\$102.60	\$147.35	\$44.75	43.62%
Bracket 6	85,000 Gals.		\$106.85	\$153.60	\$46.75	43.75%
Bracket 6	90,000 Gals.		\$111.10	\$159.85	\$48.75	43.88%
Bracket 6	95,000 Gals.		\$115.35	\$166.10	\$50.75	44.00%
Bracket 6	100,000 Gals.		\$119.60	\$172.35	\$52.75	44.11%
Bracket 7	105,000 Gals.		\$123.10	\$227.35	\$104.25	84.69%
Bracket 7	110,000 Gals.		\$126.60	\$232.35	\$105.75	83.53%
Bracket 7	115,000 Gals.		\$130.10	\$237.35	\$107.25	82.44%
Bracket 7	120,000 Gals.		\$133.60	\$242.35	\$108.75	81.40%
Bracket 7	125,000 Gals.		\$137.10	\$247.35	\$110.25	80.42%
Bracket 7	1,450,000 Gals.		\$1,064.60	\$1,572.35	\$507.75	47.69%

*(2 orig ret'd
by Robert Sullivan)*

**STANDARD FORM OF AGREEMENT NO. 116
BETWEEN
OWNER AND ENGINEER
FOR
PROFESSIONAL SERVICES**

THIS IS AN AGREEMENT made as of 28TH day of AUGUST

in the year Nineteen Hundred and Ninety Seven by and between the Hickory Water District
(hereinafter called OWNER) and Hunter Martin & Associates (hereinafter called ENGINEER).

OWNER intends to construct a 500,000 gallon water tank along with the necessary improvements
to the system to operate the tank (hereinafter called the PROJECT).

OWNER and ENGINEER in consideration of their mutual covenants herein agree in respect of the
performance of professional engineering services by ENGINEER and the payment for those services
by OWNER, as set forth below.

ENGINEER shall serve as OWNER's professional engineering representative in those phases of the
PROJECT to which this Agreement applies, and will give consultation and advice to OWNER during
the performance of his services.

SECTION 1 - BASIC SERVICES OF ENGINEER

1.1. ENGINEER shall perform professional services as hereinafter stated which include
normal civil, structural, mechanical and electrical engineering services and normal architectural
service incidental thereto.

1.2 Study and Report Phase.

After written authorization to proceed, ENGINEER shall:

1.2.1. Consult with OWNER to determine his requirements for the PROJECT and review
available data.

1.2.2 Advise OWNER as to the necessity of his providing or obtaining from others data or
services of the types described in paragraph 3.3 and act as OWNER's representative in connection
with any such services.

1.2.3. Provide special analyses of OWNER's needs, planning surveys, site evaluations and
comparative studies of prospective sites and solutions.

1.2.5. Prepare a Report with appropriate exhibits indicating clearly the considerations
involved and the alternative solutions available to OWNER, and setting forth ENGINEER's findings
and recommendations with opinions of probable costs.

1.2.6 Furnish five copies of the Report and present and review it in person with OWNER.

Engineer

1.3. Preliminary Design Phase.

After written authorization to proceed with the Preliminary Design Phase, ENGINEER shall:

1.3.1. In consultation with OWNER and on the basis of the accepted Report, determine the scope of the PROJECT.

1.3.2. Prepare preliminary design documents consisting of final design criteria, preliminary drawings and outline specifications.

1.3.3. Based on the information contained in the preliminary design documents, submit a revised opinion of probable cost for the PROJECT including Construction Cost, contingencies, compensation for all professionals and consultants, costs of land, rights-of-way and compensation for or damages to properties and interest and financing charges (all of which are hereinafter called "Project Costs").

1.3.4. Furnish five copies of the above preliminary design documents and present and review them in person with OWNER.

1.4. Final Design Phase.

After written authorization to proceed with the Final Design Phase, ENGINEER shall:

1.4.1. On the basis of the accepted preliminary design documents prepare for incorporation in the Contract Documents, final drawings to show the character and scope of the work to be performed by contractors on the PROJECT (hereinafter called "Drawings"), and Specifications.

1.4.2. Furnish to OWNER such documents and design data as may be required for and assist in the preparation of, the required documents to that OWNER may obtain approvals of such governmental authorities as have jurisdiction over design criteria applicable to the PROJECT, and assist in obtaining such approvals by participating in submissions to and negotiations with appropriate authorities.

1.4.3. Advise OWNER of any adjustments to his latest opinion of probable Project Cost caused by changes in scope, design requirements or Construction Costs and furnish a revised opinion of probable Project Cost based on the Drawings and Specifications.

1.4.4. Prepare bid forms, notice to bidders, instructions to bidders, general conditions and supplementary conditions, and assist in the preparation of other related documents.

1.4.5. Furnish five copies of the above documents and present and review them in person with OWNER.

1.5. Bidding or Negotiating Phase.

After written authorization to proceed with the Bidding or Negotiating Phase, ENGINEER shall:

1.5.1. Assist OWNER in obtaining bids or negotiating proposals for each separate prime contract for construction or equipment.

1.5.2. Consult with and advise OWNER as to the acceptability of subcontractors and other persons and organizations proposed by the prime contractor(s) (hereinafter called "Contractor(s)")

for those portions of the work as to which such acceptability is required by the Contract Documents.

1.5.3. Consult with and advise OWNER as to the acceptability of substitute materials and equipment proposed by Contractor(s) when substitution is permitted by the Contract Documents.

1.5.4. Assist OWNER in evaluating bids or proposals and in assembling and awarding contracts.

1.6. Construction Phase.

During the Construction Phase ENGINEER shall:

1.6.1. Consult with and advise OWNER and act as his representative as provided in Articles 1 through 17, inclusive of the Standard General Conditions of the Construction Contract. Natural Society of Professional Engineers document 1910-8, 1974 edition, the extent and limitations of the duties, responsibilities and authority of ENGINEER as assigned in said Standard General Conditions shall not be modified without ENGINEERs written consent; all of OWNERs instructions to Contractor(s) will be issued through ENGINEER who will have authority to act on behalf of OWNER to the extent provided in said Standard General Conditions except as otherwise provided in writing.

1.6.2. Make periodic visits to the site to observe as an experienced and qualified design professional and progress and quality of the executed work and to determine in general if the work is proceeding in accordance with the Contract Documents; he shall not be required to make exhaustive or continuous on-site inspections to check the quality or quantity of work; he shall not be responsible for the means, methods, techniques, sequences or procedures of construction selected by Contractor(s) or the safety precautions and programs incident to the work of Contractor(s). His efforts will be directed toward providing assurance to OWNER that the completed PROJECT will conform to the Contract Documents, but he shall not be responsible for the failure of Contractor(s) to perform the construction work in accordance with the Contract Documents. During such visits and on the basis of his on-site observations he shall keep OWNER informed of the progress of the work, shall endeavor to guard OWNER against defects and deficiencies in the work of Contractor(s) and may disapprove or reject work as failing to conform to the Contract Documents.

1.6.3. Review and approve Shop Drawing (as that term is defined in the aforesaid Standard General Conditions and samples, the results of test and inspections and other data which any Contractor is required to submit but only for conformance with the design concept of the PROJECT and compliance with the information given in the Contract Documents, determine the acceptability of substitute materials and equipment proposed by Contractor(s) and receive and review (for general content as required by the Specifications) maintenance and operating instructions, schedules, guarantees, bonds and certificates of inspection which are to be assembled by Contractor(s) in accordance with the Contract Documents.

1.6.4. Issue all instructions of OWNER to Contractor(s): prepare routine change orders as required; he may as OWNER's representative require special inspection or testing of the work; he shall act as interpreter of the requirements of the Contract Documents and judge of the performance thereunder by the parties thereto and shall make decisions on all claims of OWNER and Contractor(s) relating to the execution and progress of the work and all other matters and questions related thereto, but ENGINEER shall not be liable for the results of any such interpretations or decisions rendered by him in good faith.

1.6.5. Based on his on-site observations as an experienced and qualified design professional and on his review of Contractor(s) applications for payment and the accompanying data

and schedules, determine the amounts owing to Contractor(s) and approve in writing payments to Contractor(s) in such amounts; such approvals of payment will constitute a representation to OWNER, based on such observations and review, that the work has progressed to the point indicated and that to the best of his knowledge, information and belief, the quality of the work is in accordance with Contract Documents (subject to an evaluation of the work as a functioning Project upon Substantial Completion, to the results of any subsequent tests called for in the Contract Documents, and to any qualifications stated in his approval, but by approving an application for payment ENGINEER will not be deemed to have represented that he has made any examination to determine how or for what purposes any Contractor has used the moneys paid on account of the Contract Price or that title to any of the Contractor(s) work, materials or equipment has passed to OWNER free and clear of any lien, claims, security interests or encumbrances.

1.6.6. Conduct an inspection to determine if the PROJECT is substantially complete and final inspection to determine if the PROJECT has been completed in accordance with the Contract Documents and if each Contractor has fulfilled all of his obligations thereunder so the ENGINEER may approve, in writing, final payment to each Contractor.

1.6.7. ENGINEER shall not be responsible for the acts or omissions of any Contractor, any subcontractor or any of the Contractor(s) or subcontractors' agents or employees or any other persons (except his own employees and agents) at the PROJECT site or otherwise performing any of the work of the PROJECT.

SECTION 2 - ADDITIONAL SERVICES OF ENGINEER

2.1. General

If authorized in writing by OWNER, ENGINEER shall furnish or obtain from others Additional Services of the following types which are not considered normal or customary Basic Services; these will be paid for by OWNER as indicated in Section 5.

2.1.1. Preparation of applications and supporting documents for governmental grants, loans or advances in connection with the PROJECT; preparation or review of environmental assessments and impact statements; and assistance in obtaining approvals of authorities having jurisdiction over the anticipated environmental impact of the PROJECT.

2.1.2. Services to make measured drawings of or to investigate existing conditions or facilities, or to verify the accuracy of drawings or other information furnished by OWNER.

2.1.3. Services resulting from significant changes in general scope of the PROJECT or its design including, but not limited to, changes in size, complexity, OWNER's schedule, or character of construction; and revising previously accepted studies, reports, design documents or Contract Documents when such revisions are due to causes beyond ENGINEER's control.

2.1.4. Providing renderings or models for OWNER's use.

2.1.5. Preparing documents for alternate bids requested by OWNER for work which is not executed or documents for out-of-sequence work.

2.1.6. Investigations involving detailed consideration of operations, maintenance and overhead expenses; and the preparation of rate schedules, earnings and expense statements, feasibility studies, appraisals and valuations; detailed quantity surveys of material, equipment and labor; and audits or inventories required in connection with construction performed by OWNER.

2.1.7. Furnishing the services of special consultants for other than the normal civil, structural, mechanical and electrical engineering and normal architectural design incidental thereto, such as consultants for interior design, selection of furniture and furnishings, communications, acoustics, kitchens and landscaping.

2.1.8. Services resulting from the involvement of more separate prime contracts for construction or for equipment than are contemplated by paragraphs 5.1.1.2 or 5.1.1.4.

2.1.9. Services in connection with change orders to reflect changes requested by OWNER if the resulting change in compensation for Basic Services is not commensurate with the additional services rendered and services resulting from significant delays, changes or price increases occurring as a direct or indirect result of material, equipment or energy shortages.

2.1.10. Services during out-of-town travel required of ENGINEER other than visits to the PROJECT site as required by Section 1.

2.1.11. Preparing for OWNER, on request, a set of reproducible record prints of Drawings showing those changes made during the construction process, based on the marked-up prints, drawings and other data furnished by Contractor(s) to ENGINEER and which ENGINEER considers significant.

2.1.12. Additional or extended services during construction made necessary by (1) work damaged by fire or other cause during construction, (2) a significant amount of defective or neglected work of any Contractor, (3) prolongation of the contract time of any prime contract by more than sixty days, (4) acceleration of the work schedule involving services beyond normal working hours, and (5) default by any Contractor.

2.1.13. Preparation of operating and maintenance manuals; extensive assistance in the utilization of any equipment or system (such as initial start-up, testing, adjusting and balancing); and training personnel for operation and maintenance.

2.1.14. Services after completion of the Construction Phase, such as inspections during any guarantee period and reporting observed discrepancies under guarantees called for in any contract for the PROJECT.

2.1.15. Preparing to serve or serving as a consultant or witness for OWNER in any litigation, public hearing or other legal or administrative proceeding involving the PROJECT.

2.1.16. Additional services in connection with the PROJECT, including services normally furnished by OWNER, and services not otherwise provided for in this Agreement.

2.2 Resident Services During Construction.

2.2.1. If requested by OWNER or recommended by ENGINEER and agreed to in writing by the other, a Resident Project Representative and assistants will be furnished and will act as directed by ENGINEER in order to provide more extensive representation at the PROJECT site during the Construction Phase. Such services will be paid for by OWNER as indicated in paragraph 5.1.2.4.

2.2.2 The duties and responsibilities and the limitations on the authority of the Resident Project Representative and assistants will be set forth in Exhibit A which is to be identified, attached to and made a part of this Agreement before such services begin.

2.2.3. Through more extensive on-site observations of the work in progress and field checks of materials and equipment by the Resident Project Representative (if furnished) and assistants. ENGINEER shall endeavor to provide further protection for OWNER against defects and deficiencies in the work, but the furnishing of such resident PROJECT representation will not make ENGINEER responsible for construction means, methods, techniques, sequences or procedures or for safety precautions or programs, or for Contractor(s)' failure to perform the construction work in accordance with the Contact Documents.

SECTION 3 - OWNERS RESPONSIBILITIES

OWNER shall:

- 3.1. Provide full information as to his requirements for the PROJECT.
- 3.2. Assist ENGINEER by placing at his disposal all available information pertinent to the PROJECT including previous reports and any other data relative to design and construction of the PROJECT.
- 3.3. Provide engineering surveys to enable Contractor(s) to proceed with their work.
- 3.5. Guarantee access to and make all provisions for ENGINEER to enter upon public and private property as required for ENGINEER to perform his services.
- 3.6. Examine all studies, reports, sketches, drawings, specifications, proposals and other documents presented by ENGINEER, obtain advice of an attorney, insurance counselor and other consultants as he deems appropriate for such examination and render in writing decisions pertaining thereto within a reasonable time so as not to delay the services of ENGINEER.
- 3.7. Pay all costs incident to obtaining bids or proposals from contractors.
- 3.8. Provide such legal, accounting, independent cost estimating and insurance counseling services as may be required for the PROJECT, and such auditing service as OWNER may require to ascertain how or for what purpose any contractor has used the moneys paid to him under the construction contract.
- 3.9. Designate in writing a person to act as OWNER's representative with respect to the work to be performed under this Agreement. Such person shall have complete authority to transmit instructions, receive information, interpret and define OWNER's policies and decisions with respect to materials, equipment, elements and systems pertinent to ENGINEER's services.
- 3.10. Give prompt written notice to ENGINEER whenever OWNER observes or otherwise becomes aware of any defect in the PROJECT.
- 3.11. Furnish approvals and permits from all government authorities having jurisdiction over the PROJECT and such approvals and consents from other as may be necessary for completion of the PROJECT.
- 3.12. Furnish or direct ENGINEER to provide necessary Additional Services as stipulated in Section 2 of this Agreement or other services as required.
- 3.13. Bear all costs incident to compliance with the requirements of this Section 3.

SECTION 4 - PERIOD OF SERVICE

- 4.1. The provisions of 4.2 through 4.8 inclusive and the various rates of compensation for elsewhere in this Agreement have been agreed to in anticipation of the orderly and continuous progress of the PROJECT through completion of the Construction Phase. ENGINEER's obligation to render services hereunder will extend for a period which may reasonably be required for the design, award of contracts and construction of the PROJECT including extra work and required extensions thereto.
- 4.2. The services called for in the Study and Report Phase will be completed and the Report submitted with 30 calendar days following the authorization to proceed with that phase of services.
- 4.3. After acceptance by OWNER of the Report, indicating any specific modifications or changes in scope desired by OWNER, and upon written authorization from OWNER, ENGINEER shall proceed with the performance of the services called for in the Preliminary Design Phase, and shall submit preliminary design documents and a revised opinion of probable Project Cost within 30 calendar days following the authorization to proceed with that phase of services.
- 4.4. After acceptance of OWNER of the preliminary design documents and revised opinion of probable Project Cost, indicating any specific modifications or changes in scope desired by OWNER, and upon written authorization from OWNER, ENGINEER shall proceed with the performance of the services called for in the Final Design Phase, so as to deliver Contract Documents and revised opinion of probable Project Cost for all authorized work on the PROJECT within 180 calendar days after the authorization to proceed with that phase of services.
- 4.5. ENGINEER's services under the Study and Report Phase, Preliminary Design Phase and Final Design Phase shall each be considered complete at the earlier of (1) the date when the submissions for that phase have been accepted by OWNER or (2) thirty days after the date when such submissions are delivered to OWNER for final acceptance, plus such additional time as may be considered reasonable for obtaining approval of governmental authorities having jurisdiction over design criteria applicable to the PROJECT.
- 4.6. After acceptance by OWNER of the Contract Documents and ENGINEER's most recent opinion of probable Project Cost and upon written authorization to proceed. ENGINEER shall proceed with performance of the services called for in the Bidding or Negotiating Phase. This Phase shall terminate and the services to be rendered thereunder shall be considered complete upon commencement of the Construction Phase or upon cessation of negotiations with Contractor(s) (except as may be otherwise required to complete the services called for in paragraph 6.3.2.5).
- 4.7. The Construction Phase will commence with the execution of the first prime contract to be executed for the work of the Project or any part thereof, and will terminate upon written approval by ENGINEER of final payment on the last prime contract to be completed. Construction Phase services may be rendered at different times in respect of separate prime contracts if the Project involves more than one prime contract.
- 4.8. In the event that the work of the PROJECT is to be performed under more than one prime contract, OWNER and ENGINEER shall, prior to commencement of the Final Design Phase, develop a schedule for performance of ENGINEER's services during the Final Design. Bidding or Negotiating and Construction Phases in order to sequence and coordinate properly such services as applicable to the work under such separate contracts. The schedule is to be prepared whether or

not the work under such contracts is to proceed concurrently and is to be attached as an exhibit to and made part of this Agreement, and the provisions of paragraphs 4.4. through 4.6. inclusive, will be modified accordingly.

4.9. If OWNER has requested significant modifications or changes in the scope of the PROJECT, the time of performance of ENGINEER's services shall be adjusted appropriately.

4.10. If OWNER fails to give prompt written authorization to proceed with any phase of services after completion of the immediately preceding phase, or if the Construction Phase has not commenced within _____ calendar days (plus such additional time as may be required to complete the services called for under paragraph 6.3.2.5) after completion of the Final Design Phase, ENGINEER may, after giving seven days' written notice to OWNER, suspend services under this Agreement.

4.11. If ENGINEER's services for design or during construction of the Project are delayed or suspended in whole or in part by OWNER for more than three months for reasons beyond ENGINEER's control, ENGINEER shall on written demand to OWNER (but without termination of this Agreement) be paid as provided in paragraph 5.3.5 for the services delayed or suspended. If such delay or suspension extends for more than one year for reasons beyond ENGINEER's control, or if ENGINEER for any reason is required to render services more than one year after Substantial Completion, the various rates of compensation provided for elsewhere in this Agreement shall be subject to renegotiation.

SECTION 5 - PAYMENTS TO ENGINEER

5.1. Methods of Payment for Services and Expenses of ENGINEER.

5.1.1. Basic Services. OWNER shall pay ENGINEER for Basic Services rendered under Section 1 on one of the following bases (except if otherwise provided in paragraph 5.1.1.6):

5.1.1.1. Lump Sum. If the work of the entire Project is awarded on the basis of the prime contract, a lump sum fee of \$ 100,000; but, if the prime contract contains cost-plus or incentive savings provisions for the Contractor's basic compensation, a lump sum fee of \$ 100,000.

5.1.1.2. Lump Sum. If the work of the PROJECT is awarded on the basis of not more than a total of \$ N/A separate prime contracts for construction and for equipment, a lump sum fee of \$ N/A but, if the prime contracts contain cost-plus or incentive savings provisions for the Contractor's basic compensation, a lump sum fee of \$ N/A.

5.1.1.3. Other Method. (To be used in cases note of the above methods of compensation is applicable.)

(Refer to and attach schedule when applicable.)

5.1.2. Additional Services. OWNER shall pay ENGINEER for Additional Services rendered under Section 2 as follows:

5.1.2.1. General. For Additional Services rendered under paragraphs 2.1.1 through 2.1.16, inclusive (except services covered by paragraph 2.1.7 and services as a consultant or witness under paragraph 2.1.15), on the basis of payroll costs times a factor of * - EXHIBIT B for services rendered by principals and employees assigned to the PROJECT.

***SEE EXHIBIT B - RATE SCHEDULE**

5.1.2.2. **Special Consultants.** For services and reimbursable expenses of special consultants employed by ENGINEER pursuant to paragraphs 2.1.7 or 2.1.16, the amount billed to ENGINEER therefor times a factor of 1.0.

5.1.2.3. **Serving as a Witness.** For the services of the principals and employees a consultants or witnesses in any litigation, hearing or proceeding in accordance with paragraph 2.1.15, at the rate of \$ 400.00 per day or any portion thereof (but compensation for time spent in preparing to appear in any such litigation, hearing or proceeding will be on the basis provided in paragraph 5.1.2.1).

5.1.2.5. **Resident Project Services.** For resident services during construction furnished under paragraph 2.2.1. on the basis of payroll costs times a factor of * EXH. B for services rendered by principals and employees assigned to field offices in connection with resident Project representation.
***SEE EXHIBIT B - RATE SCHEDULE**

5.1.3. **Reimbursable Expenses.** In addition to payments provided for in paragraphs 5.1.1 and 5.1.2, OWNER shall pay ENGINEER the actual costs of all reimbursable expenses incurred in connection with all Basic and Additional Services.

5.1.4. As used in the paragraph 5.1, the terms "Construction Cost," "payroll costs" and "reimbursable expenses" will have the meanings assigned to them in paragraphs 5.3.1, 5.3.2 and 5.3.3.

5.2 **Times of Payment**

5.2.1. ENGINEER shall submit monthly statements for Basic and Additional Services rendered and for reimbursable expenses incurred. When compensation is on the basis of a lump sum or percentage of construction cost the statements will be based upon ENGINEER's estimate of the proportion of the total services actually completed at the time of billing. Otherwise, these monthly statements will be based upon ENGINEER's payroll cost times a factor. OWNER shall make prompt monthly payments in response to ENGINEER's monthly statements.

5.2.2. Where compensation for Basic Services is on the basis of a lump sum OWNER shall, upon conclusion of each phase of Basic Services, pay such additional amount, if any, as may be necessary to bring total compensation paid on account of such phase to the following percentages of total compensation for all phases of Basic Services:

Phase	Suggested Range	Insert Actual Percentage and Initial in Margin
Study and Report	(5 - 30%)	5 %
Preliminary Design	(5 - 30%)	5 %
Final Design	(35 - 75%)	60 %
Bidding or Negotiating	(2 - 10%)	10 %
Construction	(10 - 20%)	20 %
TOTAL	X	100 %

5.2.3. Payments for Basic Services in accordance with paragraph 5.1.1.6 shall be made as follows:

(Refer to and attach schedule when applicable.)

5.3. General.

5.3.1. The construction cost of the entire Project (herein referred to as "Construction Cost") means the total cost of the entire Project to OWNER, but it will not include ENGINEER's compensation and expenses, the cost of land, right-of-way, or compensation for or damages to properties unless this Agreement so specifies, nor will it include OWNER's legal, accounting, insurance counseling or auditing services, or interest and financing charges incurred in connection with the Project. When Construction Cost is used as a basis for payment it will be based on one of the following sources with precedence in the order listed:

- 5.3.1.1. For completed construction the total cost of all work performed as designed or specified by ENGINEER.
- 5.3.1.2. For work not constructed, the lowest bona fide bid received from a qualified bidder for such work; or if the work is not bid, the lowest bona fide negotiated proposal for such work.
- 5.3.1.3. For work for which no such bid or proposal is received, ENGINEER's most recent opinion of probable Project Cost.

Labor furnished by OWNER for the PROJECT will be included in the Construction Cost at current market rates including a reasonable allowance for overhead and profit. Materials and equipment furnished by OWNER will be included at current market prices except used materials and equipment will be included as if purchased new for the PROJECT. No deduction is to be made from ENGINEER's compensation on account of any penalty, liquidated damages, or other amounts withheld from payments to Contractor(s).

5.3.2 The payroll costs used as a basis for payment mean the salaries and wages paid to all personnel engaged directly on the PROJECT, including, but not limited to, engineers, architects, surveyors, designers, draftsmen, specification writers, estimators, other technical personnel, stenographers, typists and clerks; plus the cost of customary and statutory benefits including, but not limited to, social security contributions, unemployment, excise and payroll taxes, workmen's compensation, health and retirement benefits, sick leave, vacation and holiday pay applicable thereto. For the purposes of the Agreement, the principals of ENGINEER and their hourly payroll costs are:

SEE EXHIBIT B - RATE SCHEDULE

The amount of customary and statutory benefits of all other personnel will be considered equal to * % of salaries and wages. * See Exhibit B - Rate Schedule

5.3.3. Reimbursable expenses mean the actual expenses incurred directly or indirectly in connection with the PROJECT for: transportation and subsistence incidental thereto; obtaining bids or proposals from Contractor(s); furnishing and maintaining field office facilities; subsistence and transportation of Resident Project Representatives and their assistants; toll telephone calls and telegrams; reproduction of reports, Drawings and Specifications, and similar Project-related items in addition to those required under Section 1; computer time including an appropriate charge for previously established programs; and, if authorized in advance by OWNER, overtime work requiring higher than regular rates.

5.3.4. If OWNER fails to make any payment due ENGINEER for services and expenses within sixty days after receipt of ENGINEER's bill therefor, the amounts due ENGINEER shall include a charge at the rate of 1% per month from said sixtieth day, and in addition ENGINEER may, after giving seven days' written notice to OWNER, suspend services under this Agreement until he has been paid in full all amounts due him for services and expenses.

5.3.5. If this Agreement is terminated by OWNER upon the completion of any phase of the Basic Services, progress payments due ENGINEER for services rendered through such phase shall constitute total payment for such services. If this Agreement is terminated by OWNER during any phase of the Basic Services. ENGINEER will be paid for services rendered during that phase on the basis of payroll costs times a factor of * for services rendered during that phase to date of termination by principals and employees assigned to the PROJECT. In the event of any termination, ENGINEER will be paid for all unpaid Additional Services and unpaid reimbursable expenses, plus all termination expenses. Termination expenses mean reimbursable expenses directly attributable to termination, which shall include an amount computed as a percentage of total compensation for Basic Services earned by ENGINEER to the date of termination, as follows:

20% if termination occurs after commencement of the Preliminary Design Phase but prior to commencement of the Final Design Phase; or

10% if termination occurs after commencement of the Final Design Phase.

*See Exhibit B
Rate Schedule

SECTION 6 - GENERAL CONSIDERATIONS

6.1. Termination

This Agreement may be terminated by either party upon seven days' written notice in the event of substantial failure by the other party to perform in accordance with the terms hereof through no fault of the terminating party.

6.2. Reuse of Documents.

All documents including Drawings and Specifications furnished by ENGINEER pursuant to this Agreement are instruments of his services in respect of the PROJECT. They are not intended or represented to be suitable for reuse by OWNER or others on extensions of the Project or on any other project. Any reuse without specific written verification or adaptation by ENGINEER will be at OWNER's sole risk and without liability or legal exposure to ENGINEER, and OWNER shall indemnify and hold harmless ENGINEER from all claims, damages, losses and expenses including attorneys' fees arising out of or resulting therefrom. Any such verification or adaptation will entitle ENGINEER to further compensation at rates to be agreed upon by OWNER and ENGINEER.

6.3. Estimates of Cost.

6.3.1. Since ENGINEER has no control over the cost of labor, materials or equipment, or over the Contractor(s)' methods of determining prices, or over competitive bidding or market conditions, his opinions of probable Project Cost or Construction Cost provided for herein are to be made on the basis of his experience and qualifications and represent his best judgment as a design professional familiar with the construction industry, but ENGINEER cannot and does not guarantee that proposals, bids or the Construction Cost will not vary from opinions of probable cost prepared by him. If prior to the Bidding or Negotiating Phase OWNER wishes greater assurance as to the Construction Cost he shall employ an independent cost estimator as provided in paragraph 3.8.

6.3.2. If a Construction Cost limit is established as a condition to this Agreement, the following will apply:

- 6.3.2.1. The acceptance by OWNER at any time during the Basic Services of a revised opinion of probable Project Cost in excess of then limit will constitute a corresponding increase in the Construction Cost limit.
- 6.3.2.2. Any Construction Cost limit established by this Agreement will include a bidding contingency of ten percent unless another amount is agreed upon in writing.
- 6.3.2.3. ENGINEER will be permitted to determine what materials, equipment, component systems and types of construction are to be included in the Drawings and Specifications and to make reasonable adjustments in the scope of the PROJECT to bring it within the cost limit.
- 6.3.2.4. If the Bidding or Negotiating Phase has not commenced within six months of the completion of the Final Design Phase, the established Construction Cost limit will not be effective or binding on ENGINEER, and OWNER shall consent to an adjustment in such cost limit commensurate with any applicable change in the general level of prices in the construction industry between the date of completion of the Final Design Phase and the date on which proposals or bids are sought.
- 6.3.2.5. If the lowest bona fide proposal or bid exceeds the established Construction Cost limit, OWNER shall (1) give written approval to increase such cost limit, (2) authorize negotiating or rebidding the PROJECT within a reasonable time, or (3) cooperate in revising the PROJECT scope or quality. In the case of (3), ENGINEER shall, without additional charge, modify the Contract Documents as necessary to bring the Construction Cost within the cost limit. The providing of such service will be the limit of ENGINEER's responsibility in this regard and having done so, ENGINEER shall be entitled to payment for his services in accordance with the Agreement.

6.4. Arbitration

6.4.1. All claims, counter-claims, disputes and other matters in question between the parties hereto arising out of or relating to this Agreement or the breach thereof will be decided by arbitration accordance with the Construction Industry Arbitration Rules of the American Arbitration Association then obtaining, s subject to the limitations stated in paragraphs 6.4.3 and 6.4.4 below. This agreement so to arbitrate and any other agreement or consent to arbitrate entered into in accordance therewith as provided below, will be specifically enforceable under the prevailing law of any court having jurisdiction.

6.4.2. Notice of demand for arbitration must be filed in writing with the other parties to this Agreement and with the American Arbitration Association. The demand must be made within a reasonable time after the claim, dispute or other matter in question has arisen. In no event may the demand for arbitration be made after the time when institution of legal or equitable proceedings based on such claim, dispute or other matter in question would be barred by the applicable statute of limitations.

6.4.3. All demands for arbitration and all answering statements thereto which include any monetary claim must contain a statement that the total sum of value in controversy as alleged by

the party making such demand or answering statement is not more than \$200,000 (exclusive of interest costs). The arbitrators will not have jurisdiction, power or authority to consider, or make findings (except in denial of their own jurisdiction) concerning any claim, counter-claim dispute or other matter in question where the amount in controversy thereof is more than \$200,000 (exclusive of interest and costs) or to render a monetary award in response thereto against any party which totals more than \$200,000 (exclusive of interest and costs).

6.4.4. No arbitration arising out of, or relating to, this Agreement may include, by consolidation, join or in any other manner, any additional party not a party to this Agreement.

6.4.5. By written consent signed by all the parties to this Agreement and containing a specific reference hereto, the limitations and restrictions contained in paragraphs 6.4.3 and 6.4.4 may be waived in whole or in part as to any claim, counter-claim, dispute or other matter specifically described in such consent. No consent to arbitration in respect of a specifically described claim, counter-claim, dispute or other matter in question will constitute consent to arbitrate any other claim, counter-claim, dispute or other matter in question which is not specifically described in such consent or in which the sum or value in controversy exceeds \$200,00 (exclusive of interest and costs) or which is with any party not specifically described therein.

6.4.6. The award rendered by the arbitrators will be final, not subject to appeal and judgment may be entered upon it in any court having jurisdiction thereof.

6.5. Successors and Assigns.

OWNER and ENGINEER each binds himself and his partners, successors, executors, administrators and assigns to the other party of this Agreement and to the partners, successors, executors, administrators and assigns of such other party, in respect to all covenants of this Agreement; except as above, neither OWNER or ENGINEER shall assign, sublet or transfer his interest in this Agreement without the written consent of the other. Nothing herein shall be construed as creating any personal liability on the part of any officer or agent of any public body which may be a party hereto, nor shall it be construed as giving any rights or benefits thereunder to anyone other than OWNER and ENGINEER.

SECTION 7 - SPECIAL PROVISIONS

OWNER and ENGINEER agree that this Agreement is subject to the following special provisions which together with the provisions hereof and the exhibits and schedules hereto represent the entire Agreement between OWNER and ENGINEER; they may only be altered, amended or repealed by a duly executed written instrument.

7.1. EDA RELATED CONTRACT TERMS AND CONDITIONS

This Agreement is subject to and incorporates the provisions for the following Terms and conditions:

1. Termination of Contract for Cause

If, through any cause, the ENGINEER shall fail to fulfill in timely and proper manner his obligations under this Contract, or if the ENGINEER shall violate any of the covenants, agreements or stipulations of this Contract, the OWNER shall thereupon have the right to terminate this Contract by giving written notice to the ENGINEER of such termination and specifying the effective date thereof, at least five days before the effective date of such termination. In such event, all finished

or unfinished documents, data, studies, surveys, drawings, maps, models, photographs and reports prepared by the ENGINEER under this Contract shall, at the option of the OWNER, become its property and the ENGINEER shall be entitled to receive just and equitable compensation for any work satisfactorily completed thereunder.

Notwithstanding the above, the ENGINEER shall not be relieved of liability to the (City/ County) for damages sustained by the County by virtue of any breach of the Contract by the ENGINEER, and the OWNER may withhold any payments to the ENGINEER for the purpose of set-off until such time as the exact amount of damages due the County from the ENGINEER is determined.

This Contract may be terminated by either party with Thirty (30) days written notice. In such event, all finished or unfinished documents, data, studies, surveys, drawings, maps, models, photographs and reports prepared by the ENGINEER under this Contract shall, at the option of the City, become its property and the ENGINEER shall be entitled to receive just and equitable compensation for any work satisfactorily completed thereunder.

2. Personnel

The ENGINEER will secure at its own expense, all personnel required in performing the services under this Contract.

3. Reports and Information

The ENGINEER shall furnish the OWNER periodic reports as may be required pertaining to the work or services undertaken pursuant to this Contract.

4. Findings Confidential

All of the reports, information, data, etc., prepared or assembled by the ENGINEER under this Contract are confidential and the ENGINEER agrees that they shall not be made available to any individual or organization without the necessary prior written and legal approvals.

5. Access to Records

The ENGINEER shall maintain accounts and records adequate to identify and account for all costs pertaining to the project and such other records as may be deemed necessary to assure proper accounting for project funds. These records will be made available for audit purposes to the OWNER or any authorized representative, and will be retained for three years after the expiration of this Contract unless permission to destroy them is granted by the OWNER.

6. Compliance's

The ENGINEER will comply with all applicable laws, ordinances and codes of the Federal, State and local governments, including Civil Rights Fair Housing and others as applicable.

7. Changes

The County may, from time to time, request changes in the scope of services of the ENGINEER to be performed thereunder. Such changes, including any increase or decrease in the amount of the ENGINEER's compensation, which are mutually agreed upon by and between the OWNER and the ENGINEER, shall be incorporated in written amendments to this Contract.

8. Personnel

- A. The ENGINEER represents that it has, or will secure at its own expense, all personnel required in performing the services under this Contract. Such personnel shall not be employees of or have any contractual relationship with the OWNER.
- B. All of the services required hereunder will be performed by the ENGINEER or under his supervision and all personnel engaged in the work shall be fully qualified and shall be authorized or permitted under State and local law to perform such services.
- C. None of the work or services covered by this Contract shall be subcontracted without the prior approval of the OWNER. Any work or services subcontracted hereunder shall be specified by written contract or agreement and shall be subject to each provision of this Contract.

9. Assignability

The ENGINEER shall not assign any interest on this Contract, and shall not transfer any interest in the same (whether by assignment or novation), without the prior written consent of the OWNER thereto: *provided, however, that claims for money by the ENGINEER from the OWNER under this Contract may be assigned to a bank, trust company, or the financial institution without such approval.* Written notice of any such assignment or transfer shall be furnished promptly to the OWNER.

10. Reports and Information

The ENGINEER, at such times and in such forms as the OWNER may require, shall furnish the OWNER such periodic reports as it may request pertaining to the work or services undertaken pursuant to this Contract, the costs and obligations incurred or to be incurred in connection therewith, and any other matters covered by this Contract.

11. Findings Confidential

All of the reports, information, data, etc., prepared or assembled by the ENGINEER under this Contract are confidential and the ENGINEER agrees that they shall not be made available to any individual or organization without the prior written approval of the OWNER.

12. Copyright

No reports, maps or other documents produced in whole or in part under this Contract shall be the subject of an application for copyright by or on behalf of the ENGINEER.

13. Compliance with Local Laws

The ENGINEER shall comply with all applicable laws, ordinances and codes of the State and local governments, and the ENGINEER shall hold the OWNER harmless with respect to any damages arising from any actions committed in performing any of the work embraced by this Contract.

14. The ENGINEER shall maintain accounts and records, including personnel, property and financial records, adequate to identify and account for all costs pertaining to the Contract and such other records as may be deemed necessary by the OWNER to assure proper accounting for all project funds, both EDA and non -EDA shares. These records will be made available for audit

purposes to the OWNER or any authorized representative, and will be retained for three years after the expiration of this Contract unless permission to destroy them is granted by the OWNER.

15. Title VI Civil Rights Act of 1964

Under Title VI of the Civil Rights Act of 1964, no person shall, on the grounds of race, color or national origin, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving Federal financial assistance.

16. Section 109 of the Housing and Community Development Act of 1974

No person in the United States shall on the ground of race, color, national origin or sex be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity funded in whole or in part with funds made available under this title.

17. Conflict of Interest Clauses Interest

Interest of Members of a County -

No member of the governing body of the OWNER and no other officer, employee, or agent of the OWNER who exercises any functions or responsibilities in connection with the planning and carrying out of the program, shall have any personal financial interest, direct or indirect, in this Contract; and the ENGINEER shall take appropriate steps to assure compliance.

18. Interest of Other Local Public Officials

No member of the governing body of the locality and no other public official of such locality, who exercises any functions or responsibilities in connection with the planning and carrying out of the program, shall have any personal financial interest, direct or indirect, in this Contract; and the ENGINEER shall take appropriate steps to assure compliance.

19. Interest of ENGINEER and Employees

The ENGINEER covenants that it presently has no interest and shall not acquire interest, direct or indirect, in the study area or any parcels therein or any other interest which would conflict in any manner or degree with the performance of his services hereunder. The ENGINEER further covenants that in the performance of this Contract, no person having any such interest shall be employed.

20. "Section 3" Compliance in the Provision of Training, Employment and Business Opportunities (contracts less than \$10,000)

- A. The work to be performed under this Contract is on a project assisted under a program providing direct Federal financial assistance from the Department of Housing and Urban Development and is subject to the requirements of Section 3 of the Housing and Urban Development Act of 1968, as amended, 12 U.S.C. 1701u. Section 3 requires that to the greatest extent feasible opportunities for training and employment be given lower income residents of the project area and contracts for work in connection with the project be awarded to business concerns which are located in, or owned in substantial part by persons residing in the area of the project.
- B. The parties to this Contract will comply with the provisions of said Section 3 and the regulations issued pursuant thereto by the Secretary of Housing and

Urban Development set forth in 24 CFR Part 135, and all applicable rules and orders of the Department issued thereunder prior to the execution of this Contract. The parties to this Contract certify and agree that they are under no contractual or other disability which would prevent them from complying with these requirements.

- C. The ENGINEER will send to each labor organization or representative of workers with which it has a collective bargaining agreement or other contract or understanding, if any, a notice advising the said labor organization or workers' representative of his commitments under this Section 3 clause and shall post copies of the notice in conspicuous places available to employees and applicants for employment or training.
- D. The ENGINEER will include this Section 3 clause in every subcontract for work in connection with the project and will, at the direction of the applicant for or recipient of Federal financial assistance, take appropriate action pursuant to the subcontract upon a finding that the subcontractor is in violation of regulations issued by the Secretary of Housing and Urban Development, 24 CFR Part 135. The ENGINEER will not subcontract with any subcontractor where it has notice or knowledge that the latter has been found in violation of regulations under 24 CFR Part 135 and will not let any subcontract unless the subcontractor has first provided it with a preliminary statement of ability to comply with the requirements of these regulations.
- E. Compliance with the provisions of Section 3, the regulations set forth in 24 CFR Part 135, and all applicable rules and orders of the Department issued prior to the execution of the contract, shall be a condition of the Federal assistance provided to the project, binding upon the applicant or recipient for such assistance, its successors and assigns. Failure to fulfill these requirements shall subject the applicant or recipient, its contractors and subcontractors, its successors and assigns to those sanctions specified by the grant or loan agreement or contract through which Federal assistance is provided, and to such sanctions as area specified by 24 CFR Part 135.

Executive Order 11246, Section 202 Equal Opportunity Clause (contracts above \$10,000)

During the performance of this Contract the ENGINEER agrees as follows:

- A. The ENGINEER will not discriminate against any employee or applicant for employment because of race, creed, sex, color or national origin. The ENGINEER will take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, creed, sex, color or national origin. Such action shall include, but not be limited to, the following: employment, upgrading, demotion or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection of training, including apprenticeship. The ENGINEER agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by the OWNER setting forth the provisions of this non-discrimination clause.
- B. The ENGINEER will, in all solicitation or advertisements for employees placed by or on behalf of the ENGINEER, state that all qualified applicants will receive consideration for employment without regard to race, creed, color, sex or national origin.

- C. The ENGINEER will comply with all provisions of Executive Order 11246 of September 24, 1965, and of the rules, regulations and relevant orders of the Secretary of Labor.
- D. The ENGINEER will furnish all information and reports required by Executive Order 11246 of September 24, 1965, and by the rules, regulations and orders of the Secretary of Labor, or pursuant thereto, and will permit access to his books, records and accounts by the OWNER for purposes of investigation to ascertain compliance with such rules, regulations and orders.
- E. In the event of the ENGINEER's noncompliance with the noncompliance clause of this Contract or with any of such rules, regulations or orders, this Contract may be canceled, terminated or suspended in whole or in part and the ENGINEER may be declared ineligible for further government contracts in accordance with procedures authorized in Executive Order 11246 of September 24, 1965, and such other sanctions may be imposed and remedies invoked as provided in Executive Order 11246 of September 24, 1965, or by rule, regulation or order of the Secretary of Labor, or as otherwise provided by law.
- F. The ENGINEER will include the provisions of paragraphs (A) through (F) in every subcontract or purchase order unless exempted by rules, regulations or orders of the Secretary of Labor issued pursuant to Section 204 of Executive Order 11246 of September 24, 1965, so that such provisions will be binding upon each subcontractor or vendor. The ENGINEER will take such action with respect to any subcontract or purchase order as the OWNER may direct as a means of enforcing such provisions including sanctions for noncompliance: provided, however, that in the event the ENGINEER becomes involved in, or is threatened with, litigation with a subcontractor or vendor as a result of such direction by the OWNER Department of Housing and Community Development, the ENGINEER may request the United States to enter such litigation to protect the interests of the United States.

21. Special Equal Opportunity Provisions (Applicable to Federally assisted construction contracts and related subcontracts \$10,000 and under)

During the performance of this Contract, the ENGINEER agrees as follows:

- 1. The ENGINEER shall not discriminate against any employee or applicant for employment because of race, color, religion, sex or national origin. The ENGINEER shall take affirmative action to ensure that applicants for employment are employed, and that employees are treated during employment, without regard to their race, color, religion, sex or national origin. Such action shall include, but not be limited to, the following: employment, upgrading, demotion or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship.
- 2. The ENGINEER shall post in conspicuous places, available to employees and applicants for employment, notices to be provided by Contracting Officer setting forth the provisions of this non-discrimination clause. The ENGINEER shall state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex or national origin.
- 3. ENGINEER shall incorporate foregoing requirements in all subcontracts.

22. Rehabilitation Act of 1973, Section 504 Handicapped (if \$2,500 or over)

- A. The ENGINEER will not discriminate against any employee or applicant for employment because of physical or mental handicap in regard to any position for which the employee or applicant for employment is qualified. The ENGINEER agrees to take affirmative action to employ, advance in employment and otherwise treat qualified handicapped individuals without discrimination based upon their physical or mental handicap in all employment practices such as the following: employment, upgrading, demotion or transfer, recruitment, advertising, layoff or termination, rates of pay or other forms of compensation, and selection for training, including apprenticeship.
- B. The ENGINEER agrees to comply with the rules, regulations and relevant orders of the Secretary of Labor issued pursuant to the ACT.
- C. In the event of the ENGINEER's noncompliance with the requirements of this clause, actions for noncompliance may be taken in accordance with the rules, regulations and relevant orders of the Secretary of Labor issued pursuant to the Act.
- D. The ENGINEER agrees to post in conspicuous places, available to employees and applicants for employment, notices in a form to be prescribed by the Directors, provided by or through the contracting officer. Such notices shall state the ENGINEER's obligation under the law to take affirmative action to employ and advance in employment qualified handicapped employees and applicants for employment, and the rights of applicants and employees.
- E. The ENGINEER will notify each labor union or representative of workers with which it has a collective bargaining agreement or other contract understanding, that the ENGINEER is bound by terms of Section 504 of the Rehabilitation Act of 1973, and is committed to take affirmative action to employ and advance in employment physically and mentally handicapped individuals.
- F. The ENGINEER will include the provisions of this clause in every subcontract or purchase order of \$2,500 or more unless exempted by rules, regulations or orders of the Secretary issued pursuant to Section 503 of the Act, so that such provisions will be binding upon each subcontractor or vendor. The ENGINEER will take such action with respect to any subcontractor or purchase order as the Director of the Office of Federal Contract Compliance Programs may direct to enforce such provisions, including action for noncompliance.

23. Age Discrimination Act of 1975 (for contracts over \$2,500)

No person in the United States shall, on the basis of age, be excluded from participation in, be denied the benefits of, or be subjected to discrimination receiving Federal financial assistance.

H. AFFIRMATIVE ACTION PLAN (for contract \$10,000 and above)

The Purchase Area Development District agrees to implement the following specific affirmative action steps directed at increasing the utilization of low income residents and businesses in the implementation of the EDA project within the OWNER.

- A. To ascertain from the locality's EDA program official the exact boundaries of the Section 3 covered project area and where advantageous, seek the assistance of local officials in preparing and implementing the affirmative action plan.
- B. To attempt to recruit from within the city the necessary number of lower income residents through: local advertising media, signs placed at the proposed site for the project, and community organizations and public or private institutions operating within or serving the project area such as Service Employment and Redevelopment (SER), Opportunities Industrialization Center (OIC), Urban League, Concentrated Employment Program, Hometown Plan, or the U.S. Employment Service.
- C. To maintain a list of all lower income area residents who have applied either on their own or on referral from any source, and to employ such persons, if otherwise eligible and if a vacancy exists.
- *D. To insert this Section 3 Plan in all bid documents, and to require all bidders on subcontracts to submit a Section 3 affirmative action plan including utilization goals and the specific steps planned to accomplish these goals.
- *E. To insure that subcontracts which are typically let on a negotiated rather than a bid basis in areas other than Section 3 covered project areas, are also let on a negotiated basis, whenever feasible, when let in a Section 3 covered project area.
- F. To formally contact unions, subcontractors and trade associations to secure their cooperation for this program.
- G. To insure that all appropriate project area business concerns are notified of pending subcontractual opportunities.
- H. To maintain records, including copies of correspondence, memoranda, etc., which document that all of the above affirmative action steps have been taken.
- I. To appoint or recruit an executive official of the company or agency as Equal Opportunity Officer to coordinate the implementation of this Section 3 Plan.
- J. To list all projected workforce needs for all phases of this project by occupation, trade, skill level and number of positions.
 - * Loans, grants, contracts and subsidies for less than \$10,000 will be exempt.

IN WITNESS THEREOF the parties hereto have made and executed this Agreement as of the day and year first above written.

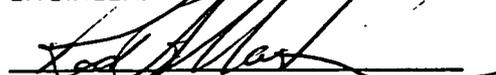
OWNER: **HICKORY WATER DISTRICT**



ROBERT H. SULLIVAN

Chairman

ENGINEER: **HUNTER MARTIN & ASSOCIATES, INC.**



ROD H. MARTIN, P.E.

President

ATTEST:


Secretary

ATTEST:


Secretary/Treasurer

This is EXHIBIT A consisting of 3 pages, referred to in the Agreement between OWNER and ENGINEER for Professional Services, dated AUGUST 28, 19 97.

Duties, Responsibilities and Limitations of Authority of Resident Project Representative

Initial: *AS*
 OWNER *AS*
 ENGINEER *AS*

ENGINEER shall furnish a Resident Project Representative ("RPR"), assistants and other field staff to assist ENGINEER in observing progress and quality of the work of Contractor.

Through more extensive on-site observations of the work in progress and field checks of materials and equipment by the RPR and assistants, ENGINEER shall endeavor to provide further protection for OWNER against defects and deficiencies in the work of Contractor. However, ENGINEER shall not, during such visits or as a result of such observations of Contractor's work in progress, supervise, direct, or have control over Contractor's work nor shall ENGINEER have authority over or responsibility for the means, methods, techniques, sequences or procedures selected by Contractor, for safety precautions and programs incident to the work of Contractor, for any failure of Contractor to comply with laws, rules, regulations, ordinances, codes or orders applicable to Contractor's performing and furnishing the work, or responsibility of construction for Contractor's failure to furnish and perform the Work in accordance with the Contract Documents. *In particular, the specific limitations set forth in paragraph 2.5 of the Agreement are applicable.*

The duties and responsibilities of the RPR are limited to those of ENGINEER in ENGINEER's agreement with the OWNER and in the construction Contract Documents, and are further limited and described as follows:

A. General

RPR is ENGINEER's agent at the site, will act as directed by and under the supervision of ENGINEER, and will confer with ENGINEER regarding RPR's actions. RPR's dealings in matters pertaining to the on-site work shall in general be with ENGINEER and Contractor, keeping OWNER advised as necessary. RPR's dealings with subcontractors shall only be through or with the full knowledge and approval of Contractor. RPR shall generally communicate with OWNER with the knowledge of and under the direction of ENGINEER.

B. Duties and Responsibilities of RPR

1. *Schedules:* Review the progress schedule, schedule of Shop Drawing submittals and schedule of values prepared by Contractor and consult with ENGINEER concerning acceptability.
2. *Conferences and Meetings:* Attend meetings with Contractor, such as preconstruction conferences, progress meetings, job conferences and other project-related meetings, and prepare and circulate copies of minutes thereof.
3. *Liaison:*
 - a. Serve as ENGINEER's liaison with Contractor, working principally through Contractor's superintendent and assist in understanding the intent of Contract Documents; and assist ENGINEER in serving as OWNER's liaison with Contractor when Contractor's operations affect OWNER's on-site operations.
 - b. Assist in obtaining from OWNER additional details or information, when required for proper execution of the Work.
4. *Shop Drawings and Samples:*
 - a. Record date of receipt of Shop Drawings and Samples.
 - b. Receive Samples which are furnished at the site by Contractor, and notify ENGINEER of availability of Samples for examination.
 - c. Advise ENGINEER and Contractor of the commencement of any Work requiring a Shop Drawing or Sample if the submittal has not been approved by ENGINEER.

5. *Review of Work, Rejection of Defective Work, Inspections and Tests:*
 - a. Conduct on-site observations of the Work in progress to assist ENGINEER in determining if the Work is in general proceeding in accordance with the Contract Documents.
 - b. Report to ENGINEER whenever RPR believes that any Work will not produce a completed Project that conforms generally to the Contract Documents or will prejudice the integrity of the design concept of the completed Project as a functioning whole as indicated in the Contract Documents, or has been damaged, or does not meet the requirements of any inspection, test or approval required to be made; and advise ENGINEER of Work that RPR believes should be corrected or rejected or should be uncovered for observation, or requires special testing, inspection or approval.
 - c. Verify that tests, equipment and systems start-ups and operating and maintenance training are conducted in the presence of appropriate personnel, and that Contractor maintains adequate records thereof; and observe, record and report to ENGINEER appropriate details relative to the test procedures and start-ups.
 - d. Accompany visiting inspectors representing public or other agencies having jurisdiction over the Project, record the results of these inspections and report to ENGINEER.
6. *Interpretation of Contract Documents:* Report to ENGINEER when clarifications and interpretations of the Contract Documents are needed and transmit to Contractor clarifications and interpretations as issued by ENGINEER.
7. *Modifications:* Consider and evaluate Contractor's suggestions for modifications in Drawings or Specifications and report with RPR's recommendations to ENGINEER. Transmit to Contractor in writing decisions as issued by ENGINEER.
8. *Records:*
 - a. Maintain at the job site orderly files for correspondence, reports of job conferences, Shop Drawings and Samples, reproductions of original Contract Documents including all Work Change Directives, Addenda, Change Orders, Field Orders, additional Drawings issued subsequent to the execution of the Contract, ENGINEER's clarifications and interpretations of the Contract Documents, progress reports, Shop Drawing submittals received from and delivered to Contractor and other Project related documents.
 - b. Prepare a daily report or keep a diary or log book, recording Contractor's hours on the job site, weather conditions, data relative to questions of Work Change Directives, Change Orders or changed conditions, list of job site visitors, daily activities, decisions, observations in general, and specific observations in more detail as in the case of observing test procedures; and send copies to ENGINEER.
 - c. Record names, addresses and telephone numbers of all Contractors, subcontractors and major suppliers of materials and equipment.
9. *Reports:*
 - a. Furnish to ENGINEER periodic reports as required of progress of the Work and of Contractor's compliance with the progress schedule and schedule of Shop Drawing and Sample submittals.
 - b. Consult with ENGINEER in advance of scheduled major tests, inspections or start of important phases of the Work.
 - c. Draft proposed Change Orders and Work Change Directives, obtaining backup material from Contractor and recommend to ENGINEER Change Orders, Work Change Directives, and Field Orders.
 - d. Report immediately to ENGINEER and OWNER the occurrence of any accident.
10. *Payment Requests:* Review Applications for Payment with Contractor for compliance with the established procedure for their submission and forward with recommendations to ENGINEER, noting particularly the relationship of the payment requested to the schedule of values, Work completed and materials and equipment delivered at the site but not incorporated in the Work.
11. *Certificates, Maintenance and Operation Manuals:* During the course of the Work, verify that certificates, maintenance and operation manuals and other data required to be assembled and furnished by Contractor are applicable to the items actually installed and in accordance with the Contract Documents, and have this material delivered to ENGINEER for review and forwarding to OWNER prior to final payment for the Work.

12. Completion:

- a. Before ENGINEER issues a Certificate of Substantial Completion, submit to Contractor a list of observed items requiring completion or correction.
- b. Observe whether Contractor has had performed inspections required by laws, rules, regulations, ordinances, codes, or orders applicable to the work, including but not limited to those to be performed by public agencies having jurisdiction over the work.
- c. Conduct a final inspection in the company of ENGINEER, OWNER and Contractor and prepare a final list of items to be completed or corrected.
- d. Observe whether all items on final list have been completed or corrected and make recommendations to ENGINEER concerning acceptance and issuance of the Notice of Acceptability of the Work.

C. Limitations of Authority by RPR

Resident Project Representative:

1. Shall not authorize any deviation from the Contract Documents or substitution of materials or equipment (including "or-equal" items), unless authorized by ENGINEER.
2. Shall not exceed limitations of ENGINEER's authority as set forth in the Agreement or the Contract Documents.
3. Shall not undertake any of the responsibilities of Contractor, Subcontractors, Suppliers, or Contractor's superintendent.
4. Shall not advise on, issue directions relative to or assume control over any aspect of the means, methods, techniques, sequences or procedures of construction unless such advice or directions are specifically required by the Contract Documents.
5. Shall not advise on, issue directions regarding or assume control over safety precautions and programs in connection with the Work.
6. Shall not accept Shop Drawing or Sample submittals from anyone other than Contractor.
7. Shall not authorize OWNER to occupy the Project in whole or in part.
8. Shall not participate in specialized field or laboratory tests or inspections conducted by others except as specifically authorized by ENGINEER.

[Note: If the work designed or specified by ENGINEER is to be provided or performed under more than one prime contract or the times of performance are to be staggered, the provisions of this Exhibit should be amended or supplemented as required.]

**AGREEMENT BETWEEN
OWNER AND ENGINEER**

NO.: 116

DATED: AUGUST 28, 1997

EXHIBIT NO: B

INITIAL:
OWNER AS
ENGINEER [Signature]

RATE SCHEDULE

CLASSIFICATION	RATE PER HOUR
SERVICE:	
Project Engineer	\$50.00
Project Surveyor	48.00
Design Engineer	46.00
Project Manager	40.00
Engineering or Surveying Assistant	40.00
Technician/Draftsman	32.00
Office, Secretary and Clerical	25.00
Resident Inspector	35.00
Field Party:	
2 Men	60.00
3 Men	72.00
REIMBURSEMENTS:	
Vehicle Travel	\$0.30/Mile
Out-of-Town Subsistence/Lodging (When Required)	Actual Cost
Concrete Monuments: 4" x 4" x 36"	\$10.00/Ea.

EXPLANATIONS:

Work on any job shall be billed from the Engineer's office.

All work over 8 hours per day or on Saturdays, Sundays or legal holidays (when approved by client) shall be billed at 1.25 times the above rates except for materials and vehicle charges.

D

HICKORY WATER DISTRICT

Graves County, Kentucky

Summary Of Revenue & Expenses

	YEAR ENDING DECEMBER 1991	YEAR ENDING DECEMBER 1992	YEAR ENDING DECEMBER 1993	YEAR ENDING DECEMBER 1994	YEAR ENDING DECEMBER 1995	YEAR ENDING DECEMBER 1996	YEAR ENDING DECEMBER 1997
OPERATING REVENUE:							
Water Sales	\$207,304.00	\$219,625.00	\$219,226.00	\$223,926.00	\$226,553.00	\$241,784.00	\$237,238.00
Miscellaneous Service Revenue	\$4,241.00	\$4,539.00	\$4,855.00	\$4,781.00	\$5,491.00	\$0.00	\$0.00
SUBTOTAL - OPERATING REVENUE	\$211,545.00	\$224,164.00	\$224,081.00	\$228,707.00	\$232,044.00	\$241,784.00	\$237,238.00
OPERATING EXPENSES:							
Purchased Power	\$18,617.00	\$17,413.00	\$17,599.00	\$18,049.00	\$21,841.00	\$20,824.00	\$18,950.00
Chemicals	\$6,529.00	\$8,612.00	\$10,677.00	\$7,789.00	\$4,470.00	\$14,311.00	\$11,994.00
Materials and Supplies	\$9,548.00	\$6,333.00	\$7,761.00	\$15,291.00	\$11,825.00	\$11,442.00	\$11,909.00
Contractual Services	\$78,019.00	\$70,015.00	\$70,055.00	\$81,627.00	\$92,569.00	\$98,097.00	\$105,543.00
Rents	\$0.00	\$0.00	\$700.00	\$1,010.00	\$0.00	\$0.00	\$0.00
Insurance	\$1,481.00	\$1,509.00	\$1,689.00	\$1,503.00	\$1,909.00	\$1,465.00	\$2,878.00
Miscellaneous Expenses	\$1,391.00	\$1,655.00	\$1,563.00	\$1,678.00	\$1,383.00	\$1,037.00	\$1,491.00
Regulatory Commission Expense						\$445.00	\$291.00
Depreciation	\$48,630.00	\$47,013.00	\$48,039.00	\$49,101.00	\$54,792.00	\$59,299.00	\$56,522.00
Other Taxes	\$251.00	\$303.00	\$358.00	\$358.00	\$345.00	\$0.00	\$0.00
SUBTOTAL - OPERATING EXPENSE	\$164,466.00	\$152,853.00	\$158,441.00	\$176,406.00	\$189,134.00	\$206,920.00	\$209,578.00
OPERATING INCOME	\$47,079.00	\$71,311.00	\$65,640.00	\$52,301.00	\$42,910.00	\$34,864.00	\$27,660.00
OTHER INCOME (EXPENSE)							
Interest Income	\$4,392.00	\$6,169.00	\$6,511.00	\$6,348.00	\$6,696.00	\$5,912.00	\$6,862.00
Interest - Long Term Debt	(\$29,254.00)	(\$28,100.00)	(\$26,789.00)	(\$25,577.00)	(\$24,237.00)	(\$21,302.00)	(\$25,267.00)
SUBTOTAL - OTHER INCOME (EXPENSE)	(\$24,862.00)	(\$21,931.00)	(\$20,278.00)	(\$19,229.00)	(\$17,541.00)	(\$15,390.00)	(\$18,405.00)
NET INCOME (LOSS)	\$22,217.00	\$49,380.00	\$45,362.00	\$33,072.00	\$25,369.00	\$19,474.00	\$9,255.00

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HICKORY WATER DISTRICT

FINANCIAL REPORT

DECEMBER 31, 1997

C O N T E N T S

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Reed & Co., P.S.C. - Certified Public Accountants

231 North Seventh Street • P.O. Box 404 • Mayfield, Kentucky 42066 • Phone (502)247-5303

UNQUALIFIED OPINION ON GENERAL-PURPOSE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Independent Auditor's Report

To the Board of Commissioners
Hickory Water District
Hickory, Kentucky

We have audited the accompanying general-purpose financial statements of Hickory Water District as of December 31, 1997 and 1996, and for the years then ended. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general-purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Hickory Water District as of December 31, 1997 and 1996, and the results of its operations and cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 4, 1998 on our consideration of Hickory Water District's internal control over financial reporting and our tests of its compliance with certain provisions of laws and regulations.

The logo consists of the letters 'R' and 'C' in a stylized, intertwined font.

To the Board of Commissioners
Hickory Water District
Page Two

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. The accompanying schedules of expenditures of federal awards and findings and questioned costs are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. The GMAC Commercial Mortgage Corporation Operating Budget Forecast, Projected Cash Flow, Supplemental Data, and Public Service Commission of Kentucky Report are also presented for purposes of additional analysis and are not a required part of the general-purpose financial statements of Hickory Water District. Such information, except for the portions marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements; and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

Mayfield, Kentucky
March 4, 1998

HICKORY WATER DISTRICT
BALANCE SHEETS
December 31, 1997 and 1996

	1997	1996
ASSETS		
UTILITY PLANT		
Utility plant in service, at cost	\$2,592,856	\$2,490,592
Less accumulated provision for depreciation computed by the straight-line method	<u>1,240,780</u>	<u>1,181,481</u>
	<u>1,352,076</u>	<u>1,309,111</u>
SPECIAL FUNDS		
Bond and interest fund - prior	231	4,853
Bond and interest fund - current	20,435	20,914
Sinking fund - prior	99,723	122,599
Sinking fund - current	7,800	7,800
Depreciation fund	<u>9,614</u>	<u>23,810</u>
	<u>137,803</u>	<u>179,976</u>
CURRENT AND ACCRUED ASSETS		
Cash and working funds	5,563	12,808
Customer accounts receivable	25,326	21,520
Interest receivable	935	1,973
Prepaid expenses	<u>955</u>	<u>332</u>
	<u>32,779</u>	<u>36,633</u>
 Total assets	 <u><u>\$1,522,658</u></u>	 <u><u>\$1,525,720</u></u>

The Notes to Financial Statements are an integral part of these statements.

	1997	1996
CAPITALIZATION AND LIABILITIES		
CAPITALIZATION		
Accumulated deficit	(\$ 60,192)	(\$ 79,666)
Contributions in aid of construction - other	697,797	673,029
Contributions in aid of construction - grants	<u>359,000</u>	<u>359,000</u>
	<u>996,605</u>	<u>952,363</u>
LONG-TERM DEBT	<u>459,045</u>	<u>501,545</u>
CURRENT LIABILITIES		
Current maturities of long-term debt	41,500	38,901
Accounts payable and accrued expenses	4,139	11,675
Accrued interest payable	8,380	9,016
Customer deposits	7,511	6,742
Land Condemnation Escrow	<u>5,478</u>	<u>5,478</u>
	<u>67,008</u>	<u>71,812</u>
 Total capitalization and liabilities	 <u>\$1,522,658</u>	 <u>\$1,525,720</u>

HICKORY WATER DISTRICT
STATEMENTS OF OPERATIONS
Years Ended December 31, 1997 and 1996

	1997	1996
OPERATING REVENUE	<u>\$ 241,784</u>	<u>\$ 237,238</u>
OPERATING EXPENSE		
Purchased power	20,824	18,950
Chemicals	14,311	11,994
Materials and supplies	11,442	11,909
Contractual services	98,097	105,543
Insurance	1,465	2,878
Miscellaneous	1,037	1,491
Regulatory Commission Expense	445	291
Depreciation	<u>59,299</u>	<u>56,522</u>
	<u>206,920</u>	<u>209,578</u>
Net operating income	34,864	27,660
NON-OPERATING EXPENSE		
Financial expense	(21,302)	(25,267)
Financial income	<u>5,912</u>	<u>6,862</u>
Net income	<u>\$ 19,474</u>	<u>\$ 9,255</u>

The Notes to Financial Statements are an integral part of these statements.

HICKORY WATER DISTRICT
STATEMENTS OF CAPITALIZATION
Years Ended December 31, 1997 and 1996

	1997	1996
Balance, beginning	\$ 952,363	\$ 782,363
Contributions in aid of construction	24,768	160,745
Net income	<u>19,474</u>	<u>9,255</u>
Balance, ending	<u>\$ 996,605</u>	<u>\$ 952,363</u>

The Notes to Financial Statements are an integral part of these statements.

HICKORY WATER DISTRICT
STATEMENTS OF CASH FLOWS
Years Ended December 31, 1997 and 1996

	1997	1996
CASH FLOWS FROM OPERATING ACTIVITIES		
Net operating revenues	\$ 34,864	\$ 27,660
Adjustments to reconcile net operating revenues to cash:		
Depreciation and amortization	59,398	56,622
Changes in:		
Accounts receivable	(3,806)	(299)
Interest receivable	1,038	(732)
Prepaid expenses	(623)	836
Accounts payable and accrued expenses	(7,536)	1,954
Accrued interest payable	(636)	(604)
Customer deposits	769	(4,223)
Net cash provided by operating activities	<u>83,468</u>	<u>81,214</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Transfer of revenues from (to) Special Funds	42,173	(5,076)
Utility plant additions and improvements	(102,264)	(181,078)
Contributions in aid of construction	24,768	160,745
Interest on investments	5,912	6,862
Net cash used in investing activities	<u>(29,411)</u>	<u>(18,547)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Debt reduction:		
Long-term	(40,000)	(38,000)
Interest paid on long-term debt	(21,302)	(25,267)
Net cash used in financing activities	<u>(61,302)</u>	<u>(63,267)</u>
Net increase (decrease) in cash	(7,245)	(600)
CASH, BEGINNING	<u>12,808</u>	<u>13,408</u>
CASH, ENDING	<u>\$ 5,563</u>	<u>\$ 12,808</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION		
Cash paid during the year for:		
Interest	<u>\$ 21,839</u>	<u>\$ 25,871</u>

The Notes to Financial Statements are an integral part of these statements.

HICKORY WATER DISTRICT

**NOTES TO FINANCIAL STATEMENTS
December 31, 1997 and 1996**

Note 1. Nature of Activities

Hickory Water District is engaged in providing water supply to approximately 1,200 customers who live in the Northern Graves County, Kentucky area and the northernmost city limits of Mayfield, Kentucky. The water district was created in 1964 under Chapter 14 of the Kentucky Revised Statutes.

Note 2. Significant Accounting Policies

The accounting policies of the Hickory Water District, Hickory, Kentucky, conform to Generally Accepted Accounting Principles (GAAP). The District's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The proprietary fund applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The District supplies water to the residential and commercial customers in the local area. The following is a summary of such significant policies:

Principles Determining Scope Of Reporting Entity:

The financial statements of the District consist only of the funds of the District. The District has no oversight responsibility for any other entity since no other entities are considered to be controlled by or dependent upon the District. Control or dependence is determined on the basis of management designation, significant influence over operations, and accountability for funds.

Fund Accounting:

The Hickory Water District is operated as a proprietary and/or enterprise fund. Enterprise Funds are used to account for operations (a) which are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Utility Plant And Long-Term Debt:

The Proprietary Fund is accounted for on a cost of services or "capital maintenance" measurement focus. This means that all

assets and liabilities (whether current or noncurrent) associated with its activity are included on its balance sheet. Its reported capitalization (net total assets) is segregated into accumulated deficit and contributions in aid of construction. Proprietary Fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

Depreciation of all exhaustible plant assets used by the Proprietary Fund is charged as an expense against its operations. Accumulated depreciation is reported on its Proprietary Fund balance sheet. Depreciation has been provided over the estimated useful lives using the straight-line method.

Basis Of Accounting:

The Proprietary Fund is accounted for using the accrual basis of accounting. Its revenues are recognized when they are earned, and its expenses are recognized when they are incurred. Also, the accounting records are maintained in accordance with the uniform system of accounts adopted by the Kentucky Public Service Commission.

Contributions In Aid Of Construction:

Amounts received from states, other governmental agencies, or individuals for construction of district-owned facilities are recorded as contributions in aid of construction.

Revenues:

Operating revenues are recorded on a monthly-cycle billing basis. The District does not accrue revenues for services provided but unbilled at the end of a period. The amount of unbilled receivables is insignificant.

Cash:

For purposes of reporting cash flows, the District considers nonrestricted cash on deposit to be cash and/or cash equivalents. Restricted cash on deposit and certificates of deposit are included in special funds. Details of cash, cash equivalents, and special funds are described below:

<u>Categories of credit risk</u>	<u>1997</u>	<u>1996</u>
1. Insured (FDIC) Peoples First National Bank and Trust Company	\$ 100,000	\$ 100,000
2. Collateralized with securities in district's name held by Peoples First	<u>43,366</u>	<u>92,784</u>
	<u>\$ 143,366</u>	<u>\$ 192,784</u>

Reclassifications:

For clarification purposes, reclassifications have been made to certain previously reported amounts.

Note 3. Long-Term Debt

At December 31, 1997 and 1996, long-term debt consisted of two revenue bonds bearing interest rates of 3.75% and 5.0%, respectively. Principal is payable in accordance with the following schedule with interest payable semi-annually:

1966 ISSUE:

<u>MATURITY DATE</u>	<u>INTEREST RATE</u>	<u>1997</u>	<u>1996</u>
1997	3.75%	\$ -0-	\$ 38,000
1998	3.75%	39,000	39,000
1999	3.75%	41,000	41,000
2000	3.75%	42,000	42,000
2001	3.75%	44,000	44,000
2002	3.75%	45,000	45,000
2003	3.75%	47,000	47,000
2004	3.75%	49,000	49,000
2005	3.75%	52,000	52,000
2006	3.75%	38,000	38,000
		<u>397,000</u>	<u>435,000</u>

1982 ISSUE:

<u>MATURITY</u>	<u>INTEREST RATE</u>	<u>1997</u>	<u>1996</u>
1994-1997 (Annual Installments of \$2,000)	5.0%	\$ -0-	\$ 2,000
1998-2001 (Annual Installments of \$2,500)	5.0%	10,000	10,000
2002-2004 (Annual Installments of \$3,000)	5.0%	9,000	9,000
2005-2007 (Annual Installments of \$3,500)	5.0%	10,500	10,500
2008-2010 (Annual Installments of \$4,000)	5.0%	12,000	12,000
2011-2012 (Annual Installments of \$4,500)	5.0%	9,000	9,000
2013-2014 (Annual Installments of \$5,000)	5.0%	10,000	10,000
2015-2016 (Annual Installments of \$5,500)	5.0%	11,000	11,000
2017 (Annual Installments of \$6,000)	5.0%	6,000	6,000
2018-2019 (Annual Installments of \$6,500)	5.0%	13,000	13,000
2020-2021 (Annual Installments of \$7,000)	5.0%	14,000	14,000
		<u>104,500</u>	<u>106,500</u>
UNAMORTIZED DEBT DISCOUNT		(955)	(1,054)
CURRENT MATURITIES		(<u>41,500</u>)	(<u>38,901</u>)
LONG-TERM DEBT		<u>\$ 459,045</u>	<u>\$ 501,545</u>

The fair value of the District's long-term debt is estimated based on the borrowing rates currently available to the District for debt of the same remaining maturities. The carrying amounts of long-term debt approximates fair value.

Note 4. Litigation

The Kentucky Department of Highways has condemned and taken certain property owned by Hickory Water District. The Department of Highways deposited the purchase price of \$12,978 with the County Clerk and immediately filed suit against the District to have the purchase price of the property reduced. The District has invested the funds in money market certificates. This was settled out of court for \$7,500; therefore, the District is to repay \$5,478 to the Kentucky Department of Highways. At report time, the state's attorney had not requested this money and it is being held by the District until such time as it is requested.

Note 5. Bond Ordinance

The Bond and Interest Sinking Fund is required to receive 1/12 of annual principal and interest payments per month. At December 31, 1997, the Bond and Interest Sinking Fund showed an excess of \$20,666 available for principal and interest payments.

The prior Reserve Fund (called Sinking Fund on District records) is required to receive 20% of the revenues after transfers to the Bond and Interest Fund each month. The required balance of the Fund as of December 31, 1997, was \$110,000. The actual balance in this account at December 31, 1997 was \$107,523 consisting of investments of \$97,110 and cash of \$10,413. This resulted in a deficiency of (\$2,477).

The Depreciation Fund is required to receive 10% of the remaining Revenue Fund balance after the Bond and Interest Fund and the Reserve Fund required deposits have been met each month. The required balance at December 31, 1997 was \$40,000. The actual balance in this account at December 31, 1997 was \$9,614 in cash. This created a deficit of \$30,386 which was created in December 1997 when necessary withdrawals were made from the fund to pay for annual tank inspections, painting of and repairs to a water tank, and well repairs. These authorized withdrawals of funds for the improvement of the water system were in accordance with the bond ordinance. Required monthly deposits were made during 1997 to the fund and continue to be made in 1998 to restore the fund to the required balance of \$40,000.

Note 6. Plant in Service

A summary of Hickory Water District plant in service follows:

	<u>1997</u>	<u>1996</u>
Land and land rights	\$ 22,417	\$ 22,417
Structures, improvements, and equipment	<u>2,560,486</u>	<u>2,468,175</u>
	<u>\$2,582,903</u>	<u>\$2,490,592</u>

Note 7. Related Parties

There was related party contract labor of \$22,183 in 1997 and \$27,251 in 1996.

Note 8. Customer Dependence

The District's largest customer represents less than 10% of the (gross) operating revenue.

Note 9. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

SUPPLEMENTAL INFORMATION

Attn: Financial Statement Department

"UNAUDITED"
OPERATING BUDGET FORECAST
 (Please complete all pages in their entirety)

Name of Association
HICKORY WATER DISTRICT

Address (Including ZIP Code) **P O BOX 128, HICKORY KY 42051**

Association Fiscal Year From <u>January 1</u> To <u>December 31</u>	FISCAL YEAR JUST ENDED ACTUAL (Column 1)	NEXT FISCAL YEAR ESTIMATED BUDGET (Column 2)
OPERATING INCOME		
1. Water Sales	\$ 235,274	\$ 238,542
2. Forfeitures	5,500	5,845
3. _____		
4. _____		
5. Miscellaneous	1,010	948
6. Less: Allowances and Deductions		
7. Total Operating Income (Add Lines 1 through 6)	241,784	245,335
OPERATING EXPENSES		
8. Purchased Power	20,824	19,755
9. Chemicals	14,311	14,512
10. Materials	11,442	11,561
11. Contract Services	98,097	99,541
12. Insurance	1,465	1,715
13. Miscellaneous	1,581	1,550
14. _____		
15. Interest (formerly FmHA) (Other Loans)	5,283 15,920	5,225 15,018
16. Depreciation	59,299	62,320
17. Total Operating Expense (Add Lines 8 through 16)	228,222	231,197
18. NET OPERATING INCOME (LOSS) (Line 7 less 17)	13,562	14,138
NONOPERATING INCOME		
19. Interest Income	5,912	3,125
20. _____		
21. Total Nonoperating Income (Add 19 and 20)	5,912	3,125
22. NET INCOME (LOSS) (Add Lines 18 and 21)	\$ 19,474	\$ 17,263
23. Retained Earnings Beginning of Period	(79,666)	(60,192)
24. Net Income — Line 22	19,474	17,263
25. Other (Specify)		
26. Retained Earnings End of Period (Add Lines 22 through 25)	\$ (60,192)	\$ (42,929)

CERTIFIED CORRECT

 Appropriate Official (Signature)

PROJECTED CASH FLOW

For the Year BEG. Jan. 1 END. Dec. 31
(same as Page 1, Column 2)

A. Line 22 from Page 1, Column 2 NET INCOME (LOSS) \$ 17,263

Add

B. Items in Operations not Requiring Cash:

1. Depreciation (Line 16, Page 1) 62,320
2. Others: _____

C. Cash Provided From:

1. Proceeds from loan/grant 500,000
2. Proceeds from others _____
3. Increase (Decrease) in Accounts Payable, Accruals and other Current Liabilities (7,475)
4. Decrease (Increase) in Accounts Receivable, Inventories and Other Current Assets (Exclude cash) (2,815)
5. Other: Contributions in Aid of Construction 28,542
6. Interest Income 3,125

D. Total all A, B and C Items 600,960

E. Less: Cash Expended for:

1. All Construction, Equipment and New Capital Items (loan & grant funds) 500,000
2. Replacement and Additions to Existing Property, Plant and Equipment 102,369
3. Principal Payment (formerly FmHA) 2,500
4. Principal Payment Other Loans 39,000
5. Other: Interest on Loans 20,113
6. Total E 1 through 5 663,982

Add

F. Beginning Cash Balances 263,123

G. Ending Cash Balances (Total of D minus E 6 plus F) \$ 200,101

Item G Cash Balances Composed of:

Construction Account \$ 6,692
Revenue Account 6,521
Debt Payment Account Bond & Interest 31,543
O & M Account 8,435
Reserve Account...Sinking Fund..... 106,710
Funded Depreciation Account 40,200
Others: _____

Total—Agrees with Item G \$ 200,101

PROJECTED CASH FLOW INSTRUCTIONS

The completion of this form is required of all Community Program borrowers submitting Financial Reports, and will accompany MS-1, Page 1 when the Annual Budget is transmitted to GE Capital.

This form is used to Project the Flow of cash for the budget year in order to determine the adequacy of cash to cover Operating Expenses, Transfers to Reserves, Debt Payment, Capital Outlays, etc.

Cash Basis Accounting - Systems

Borrowers who maintain their records strictly on the cash basis of accounting and have no Accounts Receivable and Accounts Payable, will probably only need to complete the following line items:
A, B-1, C-1, E-1, and E-3, F and G.

Line Item Instructions

Line A—Bring forward the income or loss as entered on Line 22, Page 1, Column 2.

Line B—Add back any depreciation or other non cash items included on Page 1, Column 2.

Line C—Complete items C-1 through C-6 as appropriate, for item changes which provide for increase in cash balances.
NOTE: Do not include changes in Cash Accounts, in Current Assets of item C-4. Lines C-3 and C-4 will indicate the changes in Working Capital (Current Assets and Current Liabilities, Exclusive of Cash).

Line D—Enter the net total of all A, B and C items.

Line E—Complete items E-1 through E-6 as appropriate for items for which cash was expended.

Line F—Enter the Beginning Cash Balance(s) for the Period.

Line G—The total of item D less E-6 plus F will be the Ending Cash Balance(s). This total will be reconciled by balances in the Various Accounts, i.e., Construction, Revenue, Debt, etc.

SUPPLEMENTAL DATA

The Following Data Should Be Supplied Where Applicable.
If information has been supplied on an MS-1 form, please disregard.

Fiscal Year To Date

1. WATER AND/OR SEWER UTILITY BORROWERS ONLY

- a. Water purchased or produced (CU. FT.-GAL.)
- b. Water sold (CU. FT.-GAL.) metered
- c. Treated waste (CU. FT.-GAL.)
- d. Number of users - water
- e. Number of users - sewer

142,916,000
125,378,400
1,209

2. OTHER UTILITIES

- a. Number of users
- b. Product purchased
- c. Product sold

3. HOSPITALS

- a. Number of beds
- b. Total patient days of care
- c. Total Medicare days
- d. Total Medicaid days
- e. Number of admissions
- f. Number of outpatient visits

NURSING HOMES

- a. Number of beds
- b. Patient days of occupancy
- c. Percentage of occupancy

LIST OF ORGANIZATION'S BOARD OF DIRECTORS, OFFICERS AND ADMINISTRATORS

Name	Title	Address	Telephone Numbers
Robert H. Sullivan	Chairman	1110 State Route 1276 Mayfield, KY 42066	502-247-0444
Tommy C. Green	Commissioner	426 State Route 408 W Hickory, KY 42051	502-856-3551
Sam Davis, Jr.	Commissioner	115 Alvin Rd Boaz, KY 42027	502-856-4300

ADDITIONAL COMMENTS

Explain significant changes and anticipated developments affecting operations:

A \$500,000 grant from the Economic Development Administration (EDA) has been approved
to provide funds for the construction of a new water tower and additional water lines
and pumps which will serve a new industrial park. The funds had not been received by
the water district as of December 31, 1997.

Appropriate Official (Signature)

Date

SUPPLEMENTAL DATA

HICKORY WATER DISTRICT

CERTIFICATE OF INSURANCE - "UNAUDITED"

Property Insurance:

<u>Property Description</u>	<u>Policy #</u>	<u>Insurance Co. & Address</u>	<u>Amount of Coverage</u>	<u>Expiration Date</u>
Property & Tanks	CAP 76914702	Cincinnati Ins. Co. c/o Peel & Holland, Inc. Mayfield, Kentucky	\$ 669,000	10/26/98
Tanks, office, Building contents	CILA 571771 Multi-Peril Pkg	Commercial Union c/o McClain, Baugh & Sims Mayfield, Kentucky	\$ 66,000	3/18/98

Liability Insurance:

<u>Policy #</u>	<u>Insurance Co. & Address</u>	<u>Amount of Coverage</u>	<u>Expiration Date</u>
CILA 571771 Multi-Peril Pkg	Commercial Union c/o McClain, Baugh & Sims Mayfield, Kentucky	\$ 500,000	3/18/98
CIR 204402	Commercial Union c/o McClain, Baugh & Sims Mayfield, Kentucky	\$ 300,000	3/18/98

Fidelity Bond Coverage:

<u>Position Bonded</u>	<u>Policy #</u>	<u>Insurance Co. & Address</u>	<u>Amount of Coverage</u>	<u>Expiration Date</u>
Blanket Position	68645155	Western Surety c/o McClain, Baugh & Sims Mayfield, Kentucky	\$ 45,000 ea. person	9/1/98
Access Permit	4101300054 2771	USF&G c/o McClain, Baugh & Sims Mayfield, Kentucky	\$ 20,000	6/2/98

I certify that the insurance and bond coverage shown above is currently effective and copies of the insurance policies are on file with our office.

Date

Chairman/Secretary

SUPPLEMENTAL DATA
HICKORY WATER DISTRICT
ACCOUNTS RECEIVABLE
DECEMBER 31, 1997

<u>0-30 days</u>	<u>31-60 days</u>	<u>61-90 days</u>	<u>over 90 days</u>	<u>Total Receivables</u>
\$ 21,022.17	\$ 2,923.64	\$ 1,065.03	\$ 314.96	\$ 25,325.80

HICKORY WATER DISTRICT

FINANCIAL REPORT

DECEMBER 31, 1996

RC

EXHIBIT D3

Page 1 Of 22

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Reed & Company, P.S.C. - Certified Public Accountants

231 North Seventh Street • P.O. Box 404 • Mayfield, Kentucky 42066 • Phone (502)247-5303

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Hickory Water District
Hickory, Kentucky

We have audited the accompanying general purpose financial statements of Hickory Water District as of December 31, 1996 and 1995, and for the years then ended. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Hickory Water District as of December 31, 1996 and 1995, and the results of its operations and cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated April 21, 1997 on our consideration of Hickory Water District's internal control structure and a report dated April 21, 1997 on its compliance with laws and regulations.

To the Board of Commissioners
Hickory Water District
Page Two

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The GE Capital Operating Budget Forecast, Projected Cash Flow, and Supplemental Data listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of Hickory Water District. Such information, except for the portions marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the general purpose financial statements; and, in our opinion, the information is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

A handwritten signature in black ink, appearing to be "Red" followed by a stylized flourish.

Mayfield, Kentucky
April 21, 1997

A stylized logo consisting of the letters "R" and "C" intertwined.

HICKORY WATER DISTRICT
BALANCE SHEETS
December 31, 1996 and 1995

	1996	1995
ASSETS		
UTILITY PLANT		
Utility plant in service, at cost	\$2,490,592	\$2,309,514
Less accumulated provision for depreciation computed by the straight-line method	<u>1,181,481</u>	<u>1,124,959</u>
	<u>1,309,111</u>	<u>1,184,555</u>
SPECIAL FUNDS		
Bond and interest fund - prior	4,853	11,965
Bond and interest fund - current	20,914	13,531
Sinking fund - prior	122,599	116,656
Sinking fund - current	7,800	7,800
Depreciation fund	23,810	18,245
Construction fund	-0-	524
Customer deposits	-0-	6,179
	<u>179,976</u>	<u>174,900</u>
CURRENT AND ACCRUED ASSETS		
Cash and working funds	12,808	13,408
Customer accounts receivable	21,520	21,221
Interest receivable	1,973	1,241
Prepaid expenses	332	1,168
	<u>36,633</u>	<u>37,038</u>
 Total assets	 <u>\$1,525,720</u>	 <u>\$1,396,493</u>

The Notes to Financial Statements are an integral part of these statements.

	1996	1995
CAPITALIZATION AND LIABILITIES		
CAPITALIZATION		
Accumulated deficit	(\$ 79,666)	(\$ 88,921)
Contributions in aid of construction - other	673,029	512,284
Contributions in aid of construction - grants	<u>359,000</u>	<u>359,000</u>
	<u>952,363</u>	<u>782,363</u>
LONG-TERM DEBT	<u>501,545</u>	<u>540,445</u>
CURRENT LIABILITIES		
Current maturities of long-term debt	38,901	37,901
Accounts payable and accrued expenses	11,675	9,721
Accrued interest payable	9,016	9,620
Customer deposits	6,742	10,965
Land Condemnation Escrow	<u>5,478</u>	<u>5,478</u>
	<u>71,812</u>	<u>73,685</u>
 Total capitalization and liabilities	 <u>\$1,525,720</u>	 <u>\$1,396,493</u>

RC

HICKORY WATER DISTRICT
STATEMENTS OF OPERATIONS
Years Ended December 31, 1996 and 1995

	1996	1995
OPERATING REVENUE	<u>\$ 237,238</u>	<u>\$ 232,044</u>
OPERATING EXPENSE		
Purchased power	18,950	21,841
Chemicals	11,994	4,470
Materials and supplies	11,909	11,825
Contractual services	105,543	92,569
Insurance	2,878	1,909
Miscellaneous	1,491	1,383
Regulatory Commission Expense	291	345
Depreciation	<u>56,522</u>	<u>54,792</u>
	<u>209,578</u>	<u>189,134</u>
Net operating income	27,660	42,910
NON-OPERATING EXPENSE		
Financial expense	(25,267)	(24,237)
Financial income	<u>6,862</u>	<u>6,696</u>
Net income	<u>\$ 9,255</u>	<u>\$ 25,369</u>

The Notes to Financial Statements are an integral part of these statements.

HICKORY WATER DISTRICT
STATEMENTS OF CAPITALIZATION
Years Ended December 31, 1996 and 1995

	1996	1995
Balance, beginning	\$ 782,363	\$ 745,843
Contributions in aid of construction	160,745	11,151
Net income	<u>9,255</u>	<u>25,369</u>
Balance, ending	<u>\$ 952,363</u>	<u>\$ 782,363</u>

The Notes to Financial Statements are an integral part of these statements.

HICKORY WATER DISTRICT
STATEMENTS OF CASH FLOWS
Years Ended December 31, 1996 and 1995

	1996	1995
CASH FLOWS FROM OPERATING ACTIVITIES		
Net operating revenues	\$ 27,660	\$ 42,910
Adjustments to reconcile net operating revenues to cash:		
Depreciation and amortization	56,622	54,891
Changes in:		
Accounts receivable	(299)	1,042
Interest receivable	(732)	(181)
Prepaid expenses	836	(4)
Accounts payable and accrued expenses	1,954	6,100
Accrued interest payable	(604)	(588)
Customer deposits	(4,223)	1,117
Net cash provided by operating activities	<u>81,214</u>	<u>105,287</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Transfer of revenues from (to) Special Funds	(5,076)	(21,723)
Utility plant additions and improvements	(181,078)	(34,897)
Contributions in aid of construction	160,745	11,151
Interest on investments	6,862	6,696
Net cash used by investing activities	<u>(18,547)</u>	<u>(38,773)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Debt reduction:		
Long-term	(38,000)	(37,000)
Interest paid on long-term debt	(25,267)	(24,237)
Net cash used by financing activities	<u>(63,267)</u>	<u>(61,237)</u>
Net increase (decrease) in cash	(600)	5,277
CASH, BEGINNING	<u>13,408</u>	<u>8,131</u>
CASH, ENDING	<u>\$ 12,808</u>	<u>\$ 13,408</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION		
Cash paid during the year for:		
Interest	<u>\$ 25,871</u>	<u>\$ 24,138</u>

The Notes to Financial Statements are an integral part of these statements.

HICKORY WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS
December 31, 1996 and 1995

Note 1. Significant Accounting Policies

Hickory Water District operates under the Kentucky Revised Statutes.

The accounting policies of the Hickory Water District, Hickory, Kentucky, conform to Generally Accepted Accounting Principles (GAAP). The District's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The proprietary fund applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The District supplies water to the residential and commercial customers in the local area. The following is a summary of such significant policies:

Principles Determining Scope Of Reporting Entity:

The financial statements of the District consist only of the funds of the District. The District has no oversight responsibility for any other entity since no other entities are considered to be controlled by or dependent upon the District. Control or dependence is determined on the basis of management designation, significant influence over operations, and accountability for funds.

Fund Accounting:

The Hickory Water District is operated as a proprietary and/or enterprise fund. Enterprise Funds are used to account for operations (a) which are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Utility Plant And Long-Term Debt:

The Proprietary Fund is accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and liabilities (whether current or noncurrent) associated with its activity are included on its balance sheet.

Its reported capitalization (net total assets) is segregated into accumulated deficit and contributions in aid of construction. Proprietary Fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

Depreciation of all exhaustible plant assets used by the Proprietary Fund is charged as an expense against its operations. Accumulated depreciation is reported on its Proprietary Fund balance sheet. Depreciation has been provided over the estimated useful lives using the straight-line method.

Basis Of Accounting:

The Proprietary Fund is accounted for using the accrual basis of accounting. Its revenues are recognized when they are earned, and its expenses are recognized when they are incurred. Also, the accounting records are maintained in accordance with the uniform system of accounts adopted by the Kentucky Public Service Commission.

Contributions In Aid Of Construction:

Amounts received from states, other governmental agencies, or individuals for construction of district-owned facilities are recorded as contributions in aid of construction.

Revenues:

Operating revenues are recorded on a monthly-cycle billing basis. The District does not accrue revenues for services provided but unbilled at the end of a period. The amount of unbilled receivables is insignificant.

Cash:

For purposes of reporting cash flows, the District considers nonrestricted cash on deposit and money market funds to be cash and/or cash equivalents. Temporary investments are reported at cost, which approximates fair value. Details of cash, cash equivalents, and special funds are described below.

<u>Categories of credit risk</u>	<u>1996</u>	<u>1995</u>
1. Insured (FDIC) Peoples First National Bank and Trust Company	\$ 100,000	\$ 100,000
2. Collateralized with securities in dist- rict's name held by Peoples First	<u>92,784</u>	<u>88,308</u>
	<u>\$ 192,784</u>	<u>\$ 188,308</u>

Reclassifications:

For clarification purposes, reclassifications have been made to certain previously reported amounts.

Note 2. Long-Term Debt

At December 31, 1996 and 1995, long-term debt consisted of two revenue bonds bearing interest rates of 3.75% and 5.0%, respectively. Principal is payable in accordance with the following schedule with interest payable semi-annually:

1966 ISSUE:

<u>MATURITY RATE</u>	<u>INTEREST RATE</u>	<u>1996</u>	<u>1995</u>
1996	3.75%	\$ -0-	\$ 36,000
1997	3.75%	38,000	38,000
1998	3.75%	39,000	39,000
1999	3.75%	41,000	41,000
2000	3.75%	42,000	42,000
2001	3.75%	44,000	44,000
2002	3.75%	45,000	45,000
2003	3.75%	47,000	47,000
2004	3.75%	49,000	49,000
2005	3.75%	52,000	52,000
2006	3.75%	38,000	38,000
		<u>435,000</u>	<u>471,000</u>

1982 ISSUE:

<u>MATURITY</u>	<u>INTEREST RATE</u>	<u>1996</u>	<u>1995</u>
1994-1997 (Annual Installments of \$2,000)	5.0%	\$ 2,000	\$ 4,000
1998-2001 (Annual Installments of \$2,500)	5.0%	10,000	10,000
2002-2004 (Annual Installments of \$3,000)	5.0%	9,000	9,000
2005-2007 (Annual Installments of \$3,500)	5.0%	10,500	10,500
2008-2010 (Annual Installments of \$4,000)	5.0%	12,000	12,000
2011-2012 (Annual Installments of \$4,500)	5.0%	9,000	9,000
2013-2014 (Annual Installments of \$5,000)	5.0%	10,000	10,000
2015-2016 (Annual Installments of \$5,500)	5.0%	11,000	11,000
2017 (Annual Installments of \$6,000)	5.0%	6,000	6,000
2018-2019 (Annual Installments of \$6,500)	5.0%	13,000	13,000
2020-2021 (Annual Installments of \$7,000)	5.0%	14,000	14,000
		<u>106,500</u>	<u>108,500</u>
UNAMORTIZED DEBT DISCOUNT		(1,054)	(1,154)
CURRENT MATURITIES		(<u>38,901</u>)	(<u>37,901</u>)
LONG-TERM DEBT		<u>\$ 501,545</u>	<u>\$ 540,445</u>

RC

The fair value of the District's long-term debt is estimated based on the borrowing rates currently available to the District for debt of the same remaining maturities. The carrying amounts of long-term debt approximates fair value.

Note 3. Litigation

The Kentucky Department of Highways has condemned and taken certain property owned by Hickory Water District. The Department of Highways deposited the purchase price of \$12,978 with the County Clerk and immediately filed suit against the District to have the purchase price of the property reduced. The District has invested the funds in money market certificates. This was settled out of court for \$7,500; therefore, the District is to repay \$5,478 to the Kentucky Department of Highways. At report time, the state's attorney had not requested this money and it is being held by the District until such time as it is requested.

Note 4. Bond Ordinance

The Bond and Interest Sinking Fund is required to receive 1/12 of annual principal and interest payments per month. At December 31, 1996, the current Bond and Interest Sinking Fund showed an excess of \$20,914. The prior Bond and Interest Sinking Fund had a deficiency of (\$17,777). Combining both funds nets to an excess of \$3,137.

The prior Reserve Fund (called Sinking Fund on District records) is required to receive 20% of the revenues after transfers to the Bond and Interest Fund each month. The required balance of the Fund as of December 31, 1996, was \$110,000. The actual balance in this account at December 31, 1996 was \$122,599 consisting of investments of \$121,515 and cash of \$1,084. This resulted in an excess of \$12,599.

The Depreciation Fund is required to receive 10% of the remaining Revenue Fund balance after the Bond and Interest Fund and the Reserve Fund required deposits have been met each month. The required balance at December 31, 1996 was \$40,000. The actual balance in this account at December 31, 1996 was \$23,810 consisting of investments of \$-0- and cash of \$23,810. This created a deficit of \$16,190 which was created when authorized disbursements were made from the fund for the 1994 construction of a new water treatment plant. Withdrawals of funds in 1996 were required for tank inspections and for placing a new water main in a residential subdivision. These withdrawals of funds for the improvement of the water system was in accordance with bond ordinance requirements. Required monthly deposits were made during 1996 to the fund and continue to be made in 1997 to restore the fund to the required balance of \$40,000.

Note 5. Plant in Service

A summary of Hickory Water District plant in service follows:

	<u>1996</u>	<u>1995</u>
Land and land rights	\$ 22,417	\$ 22,417
Structures, improve- ments, and equipment	<u>2,468,175</u>	<u>2,287,097</u>
	<u>\$2,490,592</u>	<u>\$2,309,514</u>

Note 6. Related Parties

There was related party contract labor of \$27,251 in 1996 and \$21,423 in 1995.

Note 7. Customer Dependence

The District's largest customer represents less than 10% of the (gross) operating revenue.

Note 8. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

SUPPLEMENTAL INFORMATION

RC



"UNAUDITED"

OPERATING BUDGET FORECAST

(Please complete all pages in their entirety)

Name of Association

HICKORY WATER DISTRICT

Address (Including ZIP Code)

P.O. Box 128, Hickory, Ky. 42051

Association Fiscal Year From Jan 1 To Dec 31	FISCAL YEAR JUST ENDED ACTUAL (Column 1)	NEXT FISCAL YEAR ESTIMATED BUDGET (Column 2)
OPERATING INCOME		
1. Water Sales	\$ 231,364	\$ 235,991
2. Forfeitures	5,109	5,620
3.		
4.		
5. Miscellaneous	765	780
6. Less: Allowances and Deductions		
7. Total Operating Income (Add Lines 1 through 6)	237,238	242,391
OPERATING EXPENSES		
8. Purchased Power	18,950	19,329
9. Chemicals	11,994	12,234
10. Materials	11,909	12,147
11. Contract Services	105,543	110,820
12. Insurance	2,878	2,936
13. Miscellaneous	1,882	1,920
14.		
15. Interest (formerly FmHA) (Other Loans)	5,383 19,784	5,325 16,563
16. Depreciation	56,522	59,272
17. Total Operating Expense (Add Lines 8 through 16)	234,845	240,546
18. NET OPERATING INCOME (LOSS) (Line 7 less 17)	2,394	1,845
NONOPERATING INCOME		
19. Interest Income		
20.	6,862	6,450
21. Total Nonoperating Income (Add 19 and 20)	6,862	6,450
22. NET INCOME (LOSS) (Add Lines 18 and 21)	\$ 9,255	\$ 8,295
23. Retained Earnings Beginning of Period	(88,921)	(79,666)
24. Net Income — Line 22	9,255	8,295
25. Other (Specify)		
26. Retained Earnings End of Period (Add Lines 22 through 25)	\$ (79,666)	\$ (71,371)

CERTIFIED CORRECT

Appropriate Official (Signature)



PROJECTED CASH FLOW

For the Year BEG. January END. December
(same as Page 1, Column 2) 199

A. Line 22 from Page 1, Column 2 NET INCOME (LOSS) \$ 8,295

Add

B. Items in Operations not Requiring Cash:

1. Depreciation (Line 16, Page 1) 59,272

2. Others: _____

C. Cash Provided From:

1. Proceeds from loan/grant 500,000

2. Proceeds from others _____

3. Increase (Decrease) in Accounts Payable, Accruals and other Current Liabilities 2,715

4. Decrease (Increase) in Accounts Receivable, Inventories and
Other Current Assets (Exclude cash) 2,250

5. Other: Contributions in aid of construction 35,525

6. Interest Income 6,450

D. Total all A, B and C Items 614,507

E. Less: Cash Expended for:

1. All Construction, Equipment and New Capital Items (loan & grant funds) 500,000

2. Replacement and Additions to Existing Property, Plant and Equipment 51,250

3. Principal Payment (formerly FmHA) 2,000

4. Principal Payment Other Loans 38,000

5. Other: Interest on loans 21,638

6. Total E 1 through 5 612,888

Add

F. Beginning Cash Balances 261,504

G. Ending Cash Balances (Total of D minus E 6 plus F) \$ 263,123

Item G Cash Balances Composed of:

Construction Account \$ 1,524

Revenue Account 4,520

Debt Payment Account 47,447

O & M Account 9,856

Reserve Account 153,851

Funded Depreciation Account 45,925

Others: _____

Total—Agrees with Item G \$ 263,123

PROJECTED CASH FLOW INSTRUCTIONS

The completion of this form is required of all Community Program borrowers submitting Financial Reports, and will accompany MS-1, Page 1 when the Annual Budget is transmitted to GE Capital.

This form is used to Project the Flow of cash for the budget year in order to determine the adequacy of cash to cover Operating Expenses, Transfers to Reserves, Debt Payment, Capital Outlays, etc.

Cash Basis Accounting - Systems

Borrowers who maintain their records strictly on the cash basis of accounting and have no Accounts Receivable and Accounts Payable, will probably only need to complete the following line items:
A, B-1, C-1, E-1, and E-3, F and G.

Line Item Instructions

Line A—Bring forward the income or loss as entered on Line 22, Page 1, Column 2.

Line B—Add back any depreciation or other non cash items included on Page 1, Column 2.

Line C—Complete items C-1 through C-6 as appropriate, for item changes which provide for increase in cash balances.
NOTE: Do not include changes in Cash Accounts, in Current Assets of item C-4. Lines C-3 and C-4 will indicate the changes in Working Capital (Current Assets and Current Liabilities, Exclusive of Cash).

Line D—Enter the net total of all A, B and C items.

Line E—Complete items E-1 through E-6 as appropriate for items for which cash was expended.

Line F—Enter the Beginning Cash Balance(s) for the Period.

Line G—The total of item D less E-6 plus F will be the Ending Cash Balance(s). This total will be reconciled by balances in the Various Accounts, i.e., Construction, Revenue, Debt, etc.

SUPPLEMENTAL DATA

The Following Data Should Be Supplied Where Applicable.
If information has been supplied on an MS-1 form, please disregard.

Fiscal Year To Date

1. WATER AND/OR SEWER UTILITY BORROWERS ONLY

a. Water purchased or produced (CU. FT.-GAL.)	<u>145,195,000</u>
b. Water sold (CU. FT.-GAL.)	<u>115,143,500</u>
c. Treated waste (CU. FT.-GAL.)	
d. Number of users - water	<u>1,193</u>
e. Number of users - sewer	

2. OTHER UTILITIES

a. Number of users	_____
b. Product purchased	_____
c. Product sold	_____

3. HOSPITALS

a. Number of beds	_____
b. Total patient days of care	_____
c. Total Medicare days	_____
d. Total Medicaid days	_____
e. Number of admissions	_____
f. Number of outpatient visits	_____

4. NURSING HOMES

a. Number of beds	_____
b. Patient days of occupancy	_____
c. Percentage of occupancy	_____

LIST OF ORGANIZATION'S BOARD OF DIRECTORS, OFFICERS AND ADMINISTRATORS

Name	Title	Address	Telephone Numbers
Robert H. Sullivan	Chairman	Key Bottom Rd. Mayfield, Ky. 42066	502-247-0444
Rex Allen Beckham	Commissioner	1370 St. Rt. 349E Mayfield, Ky. 42066	502-856-3266
Charles Harris	Commissioner	3259 St. Rt 121 N Mayfield, Ky. 42066	502-247-6506

ADDITIONAL COMMENTS

Explain significant changes and anticipated developments affecting operations:

In 1996, the District began to expand the existing system by adding water main extensions for a new industrial park, several small business parks, and several residential subdivisions.

In 1997, expansion work continues with the construction of a new water tank and more water lines and pumps which will serve the new industrial park. A \$500,000 grant from the Economic Development Administration (EDA) will provide the required funds for this project.

(This Attachment may be used in lieu of "Supplemental Data, 2, to provide appropriate evidence of insurance and bond coverage.)

CERTIFICATE OF INSURANCE - "UNAUDITED"

Property Insurance:

<u>Property Description</u>	<u>Policy #</u>	<u>Insurance Co. & Address</u>	<u>Amount of Coverage</u>	<u>Expiration Date</u>
Buildings, Contents, & Tanks	CAP 769170	Peel & Holland, Inc. Mayfield, Kentucky	\$ 669,000	10/26/97

Liability Insurance:

<u>Policy #</u>	<u>Insurance Co. & Address</u>	<u>Amount of Coverage</u>	<u>Expiration Date</u>
CILA 57177	McClain, Baugh & Sims Mayfield, Kentucky	\$ 500,000	3/18/97
CSR 204402	McClain, Baugh & Sims Mayfield, Kentucky	\$ 300,000	3/18/97

Fidelity Bond Coverage:

<u>Position Bonded</u>	<u>Policy #</u>	<u>Insurance Co. & Address</u>	<u>Amount of Coverage</u>	<u>Expiration Date</u>
Blanket Position	4101301086 7921	McClain, Baugh & Sims Mayfield, Kentucky	\$ 90,000	9/1/97
Access Permit	4101300054 2771	McClain, Baugh & Sims Mayfield, Kentucky	\$ 10,000	6/2/97

I certify that the insurance and bond coverage shown above is currently effective and copies of the insurance policies are on file with our office.

_____ Date

_____ Chairman/Secretary

This attachment may be used in lieu of "supplemental Data".)

HICKORY WATER DISTRICT

ACCOUNTS RECEIVABLE
DECEMBER 31, 1996

<u>0-30 days</u>	<u>31-60 days</u>	<u>61-90 days</u>	<u>over 90 days</u>	<u>Total Receivables</u>
\$ 18,277.48	\$ 2,304.21	\$ 557.17	\$ 381.01	\$ 21,519.87

Reed & Company, P.S.C. - Certified Public Accountants

231 North Seventh Street • P.O. Box 404 • Mayfield, Kentucky 42066 • Phone (502)247-5303

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE BASED ON AN AUDIT OF GENERAL PURPOSE OR BASIC FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Commissioners
Hickory Water District
Hickory, Kentucky

We have audited the general purpose financial statements of Hickory Water District, Hickory, Kentucky, as of and for the year ended December 31, 1996, and have issued our report thereon dated April 21, 1997.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to Hickory Water District, Hickory, Kentucky, is the responsibility of Hickory Water District, Hickory, Kentucky's management. As part of our audit, we assessed the risk that noncompliance with certain provisions of laws, regulations, contracts, and grants could cause the financial statements to be materially misstated. We concluded that the risk of such material misstatement was sufficiently low that it was not necessary to perform tests of Hickory Water District's compliance with such laws, regulations, contracts, and grants.

This report is intended for the information of the Board of Commissioners and G.E. Capital. However, this report is a matter of public record and its distribution is not limited.



Mayfield, Kentucky
April 21, 1997

Reed & Company, P.S.C. - Certified Public Accountants

231 North Seventh Street • P.O. Box 404 • Mayfield, Kentucky 42066 • Phone (502)247-5303

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE BASED ON AN AUDIT OF GENERAL PURPOSE OR BASIC FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Commissioners
Hickory Water District
Hickory, Kentucky

We have audited the general purpose financial statements of Hickory Water District, Hickory, Kentucky, for the year ended December 31, 1996, and have issued our report thereon dated April 21, 1997.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

The management of Hickory Water District, Hickory, Kentucky, is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the general purpose financial statements of Hickory Water District, Hickory, Kentucky, for the year ended December 31, 1996, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order

Hickory Water District
Page Two

to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

We noted certain matters involving the internal control structure and its operation that we consider to be a reportable condition under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the district's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements.

We noted the absence of control techniques used by outside organizations to process water billing transactions and reports for Hickory Water District represents evidence that the internal control structure fails to provide complete and accurate output that is consistent with control objectives and current needs because of design flaws.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors irregularities in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by Hickory Water District personnel in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe the reportable condition described above is not a material weakness.

This report is intended for the information of the Board of Commissioners and G. E. Capital. However, this report is a matter of public record and its distribution is not limited.



Mayfield, Kentucky
April 21, 1997

Reed & Company • Certified Public Accountants

HICKORY WATER DISTRICT

FINANCIAL REPORT

DECEMBER 31, 1995



EXHIBIT D4

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Hickory Water District
Hickory, Kentucky

We have audited the accompanying general purpose financial statements of Hickory Water District as of December 31, 1995 and 1994, and for the years then ended. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Hickory Water District as of December 31, 1995 and 1994, and the results of its operations and cash flows for the years then ended in conformity with generally accepted accounting principles.

In connection with our audits, nothing came to our attention that caused us to believe that the District was not in compliance with any of the terms, covenants, provisions, or conditions of the Bond Indentures dated August 1, 1966 and 1982, with the Federal Reserve Bank of Richmond, Richmond, Virginia; Peoples First National Bank and Trust Company formerly known as Liberty Bank & Trust, Mayfield, Kentucky; and Chemical Bank New York Trust Company, New York, New York.



To the Board of Commissioners
Hickory Water District
Page Two

In accordance with Government Auditing Standards, we have also issued a report dated February 23, 1996 on our consideration of Hickory Water District's internal control structure and a report dated February 23, 1996 on its compliance with laws and regulations.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The GE Capital Operating Budget Forecast, Projected Cash Flow, and Supplemental Data listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements. Such information, except for the portions marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the general purpose financial statements; and, in our opinion, the information is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Neal [unclear]", with a long horizontal flourish extending to the right.

Mayfield, Kentucky
February 23, 1996

	1995	1994
CAPITALIZATION AND LIABILITIES		
CAPITALIZATION		
Accumulated deficit	(\$ 88,921)	(\$ 114,290)
Contributions in aid of construction - other	512,284	501,133
Contributions in aid of construction - grants	<u>359,000</u>	<u>359,000</u>
	<u>782,363</u>	<u>745,843</u>
LONG-TERM DEBT	<u>540,445</u>	<u>578,346</u>
CURRENT LIABILITIES		
Current maturities of long-term debt	37,901	36,901
Accounts payable and accrued expenses	9,721	3,621
Accrued interest payable	9,620	10,208
Customer deposits	10,965	9,848
Land Condemnation Escrow	<u>5,478</u>	<u>5,478</u>
	<u>73,685</u>	<u>66,056</u>
 Total capitalization and liabilities	 <u>\$1,396,493</u>	 <u>\$1,390,245</u>



HICKORY WATER DISTRICT
STATEMENTS OF OPERATIONS
Years Ended December 31, 1995 and 1994

	1995	1994
OPERATING REVENUE	<u>\$ 232,044</u>	<u>\$ 228,707</u>
OPERATING EXPENSE		
Purchased power	21,841	18,049
Chemicals	4,470	7,789
Materials and supplies	11,825	15,291
Contractual services	92,569	81,627
Insurance	1,909	1,503
Miscellaneous	1,383	1,678
Regulatory Commission Expense	345	358
Depreciation	54,792	49,101
Rent expense	-0-	1,010
	<u>189,134</u>	<u>176,406</u>
Net operating income	42,910	52,301
NON-OPERATING EXPENSE		
Financial expense	(24,237)	(25,577)
Financial income	<u>6,696</u>	<u>6,348</u>
Net income	<u>\$ 25,369</u>	<u>\$ 33,072</u>

The Notes to Financial Statements are an integral part of these statements.

HICKORY WATER DISTRICT
STATEMENTS OF CAPITALIZATION
Years Ended December 31, 1995 and 1994

	1995	1994
Balance, beginning	\$ 745,843	\$ 701,873
Contributions in aid of construction	11,151	10,898
Net income	<u>25,369</u>	<u>33,072</u>
Balance, ending	<u>\$ 782,363</u>	<u>\$ 745,843</u>

The Notes to Financial Statements are an integral part of these statements.

HICKORY WATER DISTRICT
STATEMENTS OF CASH FLOWS
Years Ended December 31, 1995 and 1994

	1995	1994
CASH FLOWS FROM OPERATING ACTIVITIES		
Net operating revenues	\$ 42,910	\$ 52,301
Adjustments to reconcile net operating revenues to cash:		
Depreciation and amortization	54,891	49,200
Changes in:		
Accounts receivable	1,042	(3,416)
Interest receivable	(181)	50
Prepaid expenses	(4)	(385)
Accounts payable and accrued expenses	6,100	(4,418)
Accrued interest payable	(588)	(557)
Customer deposits	<u>1,117</u>	<u>838</u>
Net cash provided by operating activities	<u>105,287</u>	<u>93,613</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Transfer of revenues from (to) Special Funds	(21,723)	83,017
Utility plant additions and improvements	(34,897)	(140,374)
Contributions in aid of construction	11,151	10,898
Interest on investments	<u>6,696</u>	<u>6,348</u>
Net cash used by investing activities	<u>(38,773)</u>	<u>(40,111)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Debt reduction:		
Long-term	(37,000)	(35,000)
Interest paid on long-term debt	<u>(24,237)</u>	<u>(25,577)</u>
Net cash used by financing activities	<u>(61,237)</u>	<u>(60,577)</u>
Net increase (decrease) in cash	5,277	(7,075)
CASH, BEGINNING	<u>8,131</u>	<u>15,206</u>
CASH, ENDING	<u>\$ 13,408</u>	<u>\$ 8,131</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION		
Cash paid during the year for:		
Interest	<u>\$ 24,138</u>	<u>\$ 25,478</u>

The Notes to Financial Statements are an integral part of these statements.

HICKORY WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS
December 31, 1995 and 1994

Note 1. Significant Accounting Policies

Hickory Water District operates under the Kentucky Revised Statutes.

The accounting policies of the Hickory Water District, Hickory, Kentucky, conform to generally accepted accounting principles. The District supplies water to the residential and commercial customers in the local area. The following is a summary of such significant policies:

Principles Determining Scope Of Reporting Entity:

The financial statements of the District consist only of the funds of the District. The District has no oversight responsibility for any other entity since no other entities are considered to be controlled by or dependent upon the District. Control or dependence is determined on the basis of management designation, significant influence over operations, and accountability for funds.

Fund Accounting:

The Hickory Water District is operated as a proprietary and/or enterprise fund. Enterprise Funds are used to account for operations (a) which are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Utility Plant And Long-Term Debt:

The Proprietary Fund is accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and liabilities (whether current or noncurrent) associated with its activity are included on its balance sheet. Its reported capitalization (net total assets) is segregated into accumulated deficit and contributions in aid of construction. Proprietary Fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

Depreciation of all exhaustible plant assets used by the Proprietary Fund is charged as an expense against its operations. Accumulated depreciation is reported on its Proprietary Fund balance sheet. Depreciation has been provided over the estimated useful lives using the straight-line method.

Basis Of Accounting:

The Proprietary Fund is accounted for using the accrual basis of accounting. Its revenues are recognized when they are earned, and its expenses are recognized when they are incurred. Also, the accounting records are maintained in accordance with the uniform system of accounts adopted by the Kentucky Public Service Commission.

Contributions In Aid Of Construction:

Amounts received from states, other governmental agencies, or individuals for construction of district-owned facilities are recorded as contributions in aid of construction.

Revenues:

Operating revenues are recorded on a monthly-cycle billing basis. The District does not accrue revenues for services provided but unbilled at the end of a period. The amount of unbilled receivables is insignificant.

Cash:

For purposes of reporting cash flows, the District considers nonrestricted cash on deposit and money market funds to be cash and/or cash equivalents. Details of cash, cash equivalents, and special funds are described below.

<u>Categories of credit risk</u>	<u>1995</u>	<u>1994</u>
1. Insured (FDIC) Peoples First National Bank and Trust Company	\$100,000	\$100,000
2. Collateralized with securities in dist- rict's name held by Peoples First	<u>88,308</u>	<u>61,308</u>
	<u>\$188,308</u>	<u>\$161,308</u>

Reclassifications:

For clarification purposes, Reclassifications have been made to certain previously reported amounts.



Note 2. Long-Term Debt

At December 31, 1995 and 1994, long-term debt consisted of two revenue bonds bearing interest rates of 3.75% and 5.0%, respectively. Principal is payable in accordance with the following schedule with interest payable semi-annually:

1966 ISSUE:

<u>MATURITY RATE</u>	<u>INTEREST RATE</u>	<u>1995</u>	<u>1994</u>
1995	3.75%	\$ -0-	\$ 35,000
1996	3.75%	36,000	36,000
1997	3.75%	38,000	38,000
1998	3.75%	39,000	39,000
1999	3.75%	41,000	41,000
2000	3.75%	42,000	42,000
2001	3.75%	44,000	44,000
2002	3.75%	45,000	45,000
2003	3.75%	47,000	47,000
2004	3.75%	49,000	49,000
2005	3.75%	52,000	52,000
2006	3.75%	38,000	38,000
		<u>471,000</u>	<u>506,000</u>

1982 ISSUE:

<u>MATURITY</u>	<u>INTEREST RATE</u>	<u>1995</u>	<u>1994</u>
1994-1997 (Annual Installments of \$2,000)	5.0%	\$ 4,000	\$ 6,000
1998-2001 (Annual Installments of \$2,500)	5.0%	10,000	10,000
2002-2004 (Annual Installments of \$3,000)	5.0%	9,000	9,000
2005-2007 (Annual Installments of \$3,500)	5.0%	10,500	10,500
2008-2010 (Annual Installments of \$4,000)	5.0%	12,000	12,000
2011-2012 (Annual Installments of \$4,500)	5.0%	9,000	9,000
2013-2014 (Annual Installments of \$5,000)	5.0%	10,000	10,000
2015-2016 (Annual Installments of \$5,500)	5.0%	11,000	11,000
2017 (Annual Installments of \$6,000)	5.0%	6,000	6,000
2018-2019 (Annual Installments of \$6,500)	5.0%	13,000	13,000
2020-2021 (Annual Installments of \$7,000)	5.0%	14,000	14,000
		<u>108,500</u>	<u>110,500</u>
UNAMORTIZED DEBT DISCOUNT		(1,154)	(1,253)
CURRENT MATURITIES		(37,901)	(36,901)
LONG-TERM DEBT		<u>\$540,445</u>	<u>\$578,346</u>



Note 3. Litigation

The Kentucky Department of Highways has condemned and taken certain property owned by Hickory Water District. The Department of Highways deposited the purchase price of \$12,978 with the County Clerk and immediately filed suit against the District to have the purchase price of the property reduced. The District has invested the funds in money market certificates. This was settled out of court for \$7,500; therefore, the District is to repay \$5,478 to the Kentucky Department of Highways. At report time, the state's attorney had not requested this money and it is being held by the District until such time as it is requested.

Note 4. Bond Ordinance

The Bond and Interest Sinking Fund is required to receive 1/12 of annual principal and interest payments per month. At December 31, 1995, the current Bond and Interest Sinking Fund showed an excess of \$10,437. The prior Bond and Interest Sinking Fund had a deficiency of (\$10,694). Combining both funds nets to a deficiency of (\$257).

The prior Reserve Fund (called Sinking Fund on District records) is required to receive 20% of the revenues after transfers to the Bond and Interest Fund each month. The required balance of the Fund as of December 31, 1995, was \$110,000. The actual balance in this account at December 31, 1995 was \$116,656 consisting of investments of \$110,690 and cash of \$5,966. This resulted in an excess of \$6,656.

The Depreciation Fund is required to receive 10% of the remaining Revenue Fund balance after the Bond and Interest Fund and the Reserve Fund required deposits have been met each month. The required balance at December 31, 1995 was \$40,000. The actual balance in this account at December 31, 1995 was \$18,245 consisting of investments of \$-0- and cash of \$18,245. This created a deficit of \$21,755 which was created when authorized disbursements were made from the fund for the 1994 construction of the water treatment plant which stores chemicals and supplies and is equipped with the pumping and chlorination system used for water treatment. The withdrawal of funds for the improvement of the water system was in accordance with bond ordinance requirements. Required monthly deposits were made during 1995 to the fund and continue to be made in 1996 to restore the fund to the required balance of \$40,000.

Note 5. Plant in Service

A summary of Hickory Water District plant in service follows:

	<u>1995</u>	<u>1994</u>
Land and land rights	\$ 22,417	\$ 22,417
Structures, improvements, and equipment	<u>2,287,097</u>	<u>2,252,200</u>
	<u>\$2,309,514</u>	<u>\$2,274,617</u>

Note 6. Related Parties

There was related party contract labor of \$21,423 in 1995 and \$20,613 in 1994.

Note 7. Customer Dependence

The District's largest customer represents less than 10% of the (gross) operating revenue.

SUPPLEMENTAL INFORMATION



OPERATING BUDGET FORECAST

(Please complete all pages in their entirety)

Name of Association

HICKORY WATER DISTRICT

Address (Including ZIP Code)

P.O. BOX 128, Hickory, KY 42051

Association Fiscal Year From <u>January 1</u> To <u>December 31</u>	FISCAL YEAR JUST ENDED ACTUAL (Column 1)	NEXT FISCAL YEAR ESTIMATED BUDGET (Column 2) "UNAUDITED"
OPERATING INCOME		
1. Water sales	\$ 226,553	\$ 227,225
2. Forfeitures	4,413	4,450
3.		
4.		
5. Miscellaneous	1,078	1,215
6. Less: Allowances and Deductions		
7. Total Operating Income (Add Lines 1 through 6)	232,044	232,890
OPERATING EXPENSES		
8. Purchased power	21,841	20,520
9. Chemicals	4,470	4,569
10. Materials	11,825	11,965
11. Contract services	92,569	88,350
12. Insurance	1,909	2,215
13. Miscellaneous	1,828	1,850
14.		
15. Interest (formerly FmHA) (Other Loans)	5,483	5,425
	18,654	17,913
16. Depreciation	54,792	57,821
17. Total Operating Expense (Add Lines 8 through 16)	213,371	210,628
18. NET OPERATING INCOME (LOSS) (Line 7 less 17)	18,673	22,262
NONOPERATING INCOME		
19. Interest Income		
20.	6,696	6,723
21. Total Nonoperating Income (Add 19 and 20)	6,696	6,723
22. NET INCOME (LOSS) (Add Lines 18 and 21)	\$ 25,369	\$ 28,985
23. Retained Earnings Beginning of Period	(114,290)	(88,921)
24. Net Income — Line 22	25,369	28,985
25. Other (Specify)		
26. Retained Earnings End of Period (Add Lines 22 through 25)	\$ (88,921)	\$ (59,936)

CERTIFIED CORRECT

Robert A. Sullivan

Appropriate Official (Signature)



"UNAUDITED"
PROJECTED CASH FLOW

For the Year BEG. January 1 END. December 31
(same as Page 1, Column 2)

A. Line 22 from Page 1, Column 2 NET INCOME (LOSS)	\$	<u>28,985</u>
<u>Add</u>		
B. Items in Operations not Requiring Cash:		
1. Depreciation (Line 16, Page 1)		<u>57,821</u>
2. Others:		_____
C. Cash Provided From:		
1. Proceeds from loan/grant		_____
2. Proceeds from others		_____
3. Increase (Decrease) in Accounts Payable, Accruals and other Current Liabilities		_____
4. Decrease (Increase) in Accounts Receivable, Inventories and Other Current Assets (Exclude cash)		_____
5. Other: <u>Contributions in aid of construction</u>		<u>8,450</u>
6. <u>Interest income</u>		<u>6,435</u>
D. Total all A, B and C Items		<u>101,691</u>
E. Less: Cash Expended for:		
1. All Construction, Equipment and New Capital Items (loan & grant funds)		_____
2. Replacement and Additions to Existing Property, Plant and Equipment	*	<u>39,612</u>
3. Principal Payment (formerly FmHA)		<u>2,000</u>
4. Principal Payment Other Loans		<u>36,000</u>
5. Other: <u>Interest on loans</u>		<u>23,088</u>
6. Total E 1 through 5		<u>100,700</u>
<u>Add</u>		
F. Beginning Cash Balances		<u>260,513</u>
G. Ending Cash Balances (Total of D minus E 6 plus F)	\$	<u><u>261,504</u></u>
Item G Cash Balances Composed of:		
Construction Account	\$	<u>525</u>
Revenue Account		<u>6,540</u>
Debt Payment Account		<u>44,000</u>
O & M Account		<u>15,341</u>
Reserve Account		<u>146,853</u>
Funded Depreciation Account		<u>48,245</u>
Others:		_____
<u>Total</u> —Agrees with Item G	\$	<u><u>261,504</u></u>

* Replace old meters and water lines in system

PROJECTED CASH FLOW INSTRUCTIONS

The completion of this form is required of all Community Program borrowers submitting Financial Reports, and will accompany MS-1, Page 1 when the Annual Budget is transmitted to GE Capital.

This form is used to Project the Flow of cash for the budget year in order to determine the adequacy of cash to cover Operating Expenses, Transfers to Reserves, Debt Payment, Capital Outlays, etc.

Cash Basis Accounting - Systems

Borrowers who maintain their records strictly on the cash basis of accounting and have no Accounts Receivable and Accounts Payable, will probably only need to complete the following line items:

A, B-1, C-1, E-1, and E-3, F and G.

Line Item Instructions

Line A—Bring forward the income or loss as entered on Line 22, Page 1, Column 2.

Line B—Add back any depreciation or other non cash items included on Page 1, Column 2.

Line C—Complete items C-1 through C-6 as appropriate, for item changes which provide for increase in cash balances.

NOTE: Do not include changes in Cash Accounts, in Current Assets of item C-4. Lines C-3 and C-4 will indicate the changes in Working Capital (Current Assets and Current Liabilities, Exclusive of Cash).

Line D—Enter the net total of all A, B and C items.

Line E—Complete items E-1 through E-6 as appropriate for items for which cash was expended.

Line F—Enter the Beginning Cash Balance(s) for the Period.

Line G—The total of item D less E-6 plus F will be the Ending Cash Balance(s). This total will be reconciled by balances in the Various Accounts, i.e., Construction, Revenue, Debt, etc.

SUPPLEMENTAL DATA

The Following Data Should Be Supplied Where Applicable.
If information has been supplied on an MS-1 form, please disregard.

Fiscal Year To Date

1. WATER AND/OR SEWER UTILITY BORROWERS ONLY

- a. Water purchased or produced (CU. FT.-GAL.)
- b. Water sold (CU. FT.-GAL.)
- c. Treated waste (CU. FT.-GAL.)
- d. Number of users - water
- e. Number of users - sewer

141,734
113,314
-0-
1,165
-0-

2. OTHER UTILITIES

- a. Number of users
- b. Product purchased
- c. Product sold

3. HOSPITALS

- a. Number of beds
- b. Total patient days of care
- c. Total Medicare days
- d. Total Medicaid days
- e. Number of admissions
- f. Number of outpatient visits

4. NURSING HOMES

- a. Number of beds
- b. Patient days of occupancy
- c. Percentage of occupancy

(This Attachment may be used in lieu of "Supplemental Data, 2, to provide appropriate evidence of insurance and bond coverage.)

CERTIFICATE OF INSURANCE - "UNAUDITED"

Property Insurance:

<u>Property Description</u>	<u>Policy #</u>	<u>Insurance Co. & Address</u>	<u>Amount of Coverage</u>	<u>Expiration Date</u>
Building & Contents	CSLA 57177	McClain, Baugh & Sims Mayfield, Kentucky	\$ 62,000	3/18/96
Tanks	CLP 5066295-96	Peel & Holland, Inc. Mayfield, Kentucky	\$ 659,860	10/26/96

Liability Insurance:

<u>Policy #</u>	<u>Insurance Co. & Address</u>	<u>Amount of Coverage</u>	<u>Expiration Date</u>
CSLA 57177	McClain, Baugh & Sims Mayfield, Kentucky	\$ 500,000	3/18/96
CSR 204402	McClain, Baugh & Sims Mayfield, Kentucky	\$ 300,000	3/18/96

Fidelity Bond Coverage:

<u>Position Bonded</u>	<u>Policy #</u>	<u>Insurance Co. & Address</u>	<u>Amount of Coverage</u>	<u>Expiration Date</u>
Blanket Position	4100301086 7921	McClain, Baugh & Sims Mayfield, Kentucky	\$ 90,000	9/1/96
Access Permit	4101300054 2771	McClain, Baugh & Sims Mayfield, Kentucky	\$ 10,000	6/2/96

I certify that the insurance and bond coverage shown above is currently effective and copies of the insurance policies are on file with our office.

Date 3/21/96

Robert H. Sullivan, Chae
Chairman/Secretary



(This attachment may be used in lieu of "supplemental Data".)

HICKORY WATER DISTRICT

ACCOUNTS RECEIVABLE
DECEMBER 31, 1995

<u>0-30 days</u>	<u>31-60 days</u>	<u>61-90 days</u>	<u>over 90 days</u>	<u>Total Receivables</u>
\$ 18,312.99	\$ 2,436.86	\$ 382.73	\$ 88.67	\$ 21,221.25

Reed & Company • Certified Public Accountants

231 North Seventh Street • P.O. Box 404 • Mayfield, Kentucky 42066 • Phone (502)247-5303

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE BASED ON AN AUDIT OF GENERAL PURPOSE OR BASIC FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Commissioners
Hickory Water District
Hickory, Kentucky

We have audited the general purpose financial statements of Hickory Water District, Hickory, Kentucky, as of and for the year ended December 31, 1995, and have issued our report thereon dated February 23, 1996.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to Hickory Water District, Hickory, Kentucky, is the responsibility of Hickory Water District's management. As part of our audit, we assessed the risk that noncompliance with certain provisions of laws, regulations, contracts, and grants could cause the financial statements to be materially misstated. We concluded that the risk of such material misstatement was sufficiently low that it was not necessary to perform tests of Hickory Water District's compliance with such laws, regulations, contracts, and grants.

This report is intended for the information of the Board of Commissioners and G.E. Capital. However, this report is a matter of public record and its distribution is not limited.



Mayfield, Kentucky
February 23, 1996

Reed & Company • Certified Public Accountants

231 North Seventh Street • P.O. Box 404 • Mayfield, Kentucky 42066 • Phone (502)247-5303

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE BASED ON AN AUDIT OF GENERAL PURPOSE OR BASIC FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Commissioners
Hickory Water District
Hickory, Kentucky

We have audited the general purpose financial statements of Hickory Water District, Hickory, Kentucky, for the year ended December 31, 1995, and have issued our report thereon dated February 23, 1996.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

The management of Hickory Water District, Hickory, Kentucky, is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the general purpose financial statements of Hickory Water District, Hickory, Kentucky, for the year ended December 31, 1995, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order



to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the district's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements.

We noted the absence of control techniques used by outside organizations to process water billing transactions and reports for Hickory Water District represents evidence that the internal control structure fails to provide complete and accurate output that is consistent with control objectives and current needs because of design flaws.

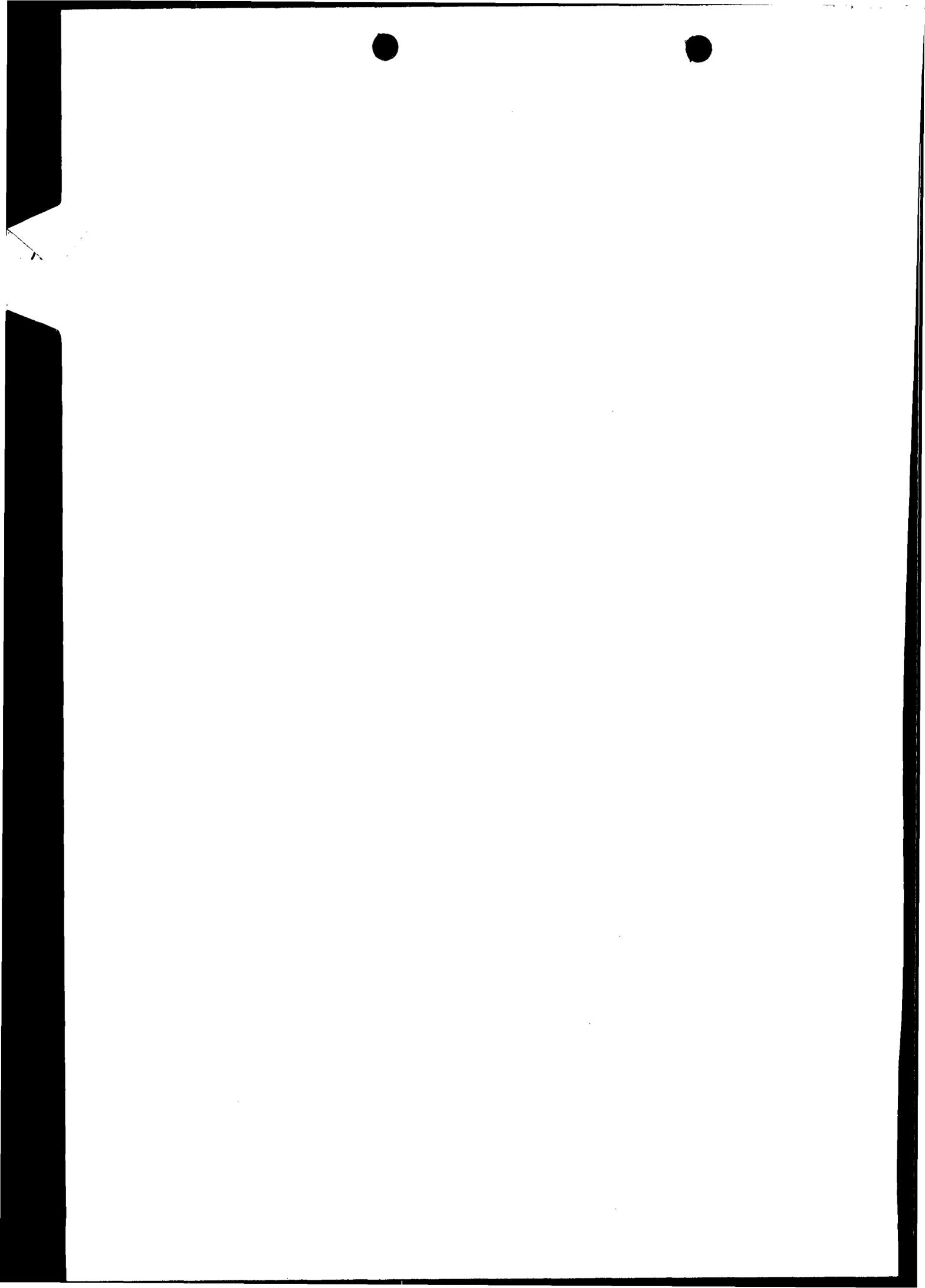
A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors irregularities in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by Hickory Water District personnel in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe the reportable condition described above is not a material weakness.

This report is intended for the information of the Board of Commissioners and G. E. Capital. However, this report is a matter of public record and its distribution is not limited.



Mayfield, Kentucky
February 23, 1996



HICKORY WATER DISTRICT
Graves County, Kentucky

HISTORY OF REVENUE REQUIREMENTS PER PSC GUIDELINES

	1995	1996	1997
Operating Expenses	\$189,134.00	\$206,920.00	\$209,578.00
Average Annual Debt Service	\$63,262.50	\$63,162.50	\$63,062.50
20% Debt Service Coverage	\$12,652.50	\$12,632.50	\$12,612.50
TOTAL REVENUE REQUIREMENTS	\$265,049.00	\$282,715.00	\$285,253.00
Operating Revenue From Audit	\$232,044.00	\$241,784.00	\$237,238.00
REQUIRED INCREASE IN REVENUE	\$33,005.00	\$40,931.00	\$48,015.00
WATER SALES:			
Water Sales From Audit	\$226,553.00	\$241,784.00	\$237,238.00
Required Increase In Revenue	\$33,005.00	\$40,931.00	\$48,015.00
AMOUNT REQUIRED FROM WATER SALES	\$259,558.00	\$282,715.00	\$285,253.00

F



U.S. DEPARTMENT OF COMMERCE
Economic Development Administration
ATLANTA REGIONAL OFFICE
Suite 1820
401 West Peachtree St., N.W.
Atlanta, Georgia 30308-3510
In reply refer to:
Award No. 04-01-04239

APR 23 1997

Chairman and Board
Hickory Water District
P. O. Box 128
Hickory, Kentucky 42051
and
Chairman and Board
Industrial Development Board
of Mayfield-Graves County, Inc.
and
Chairman and Board
Mayfield-Graves County
Local Development Corporation
201 East College
Mayfield, Kentucky 42066

Ladies and Gentlemen:

We are pleased to inform you that the Economic Development Administration (EDA) has approved a Financial Assistance Award in an amount not to exceed \$500,000 issued pursuant to your application for Federal assistance to construct water system improvements.

The award amount includes \$89,500 awarded in accordance with Section 403(a)(4) of the Public Works and Economic Development Act of 1965, as amended, as Graves County is an active member of the Purchase Area Development District. The total project cost is \$927,000, which is based on the line-item estimates contained in Attachment No. 1.

Enclosed are three signed copies of the Financial Assistance Award. Your agreement to the terms and conditions of the award should be indicated by the signature of your principal official on all of the signed copies of the Financial Assistance Award. Two of the executed copies should be returned to the Director, Atlanta Regional Office, Economic Development Administration, Suite 1820, 401 West Peachtree Street, N. W., Atlanta, Georgia 30308-3510.

You are cautioned not to make any commitments in reliance on this award, nor to enter into negotiations relative hereto, until you have carefully reviewed the terms and conditions and have determined that you are in compliance or that you can comply therewith. Any commitments or undertakings entered into prior to obtaining the approval of the Government in accordance with its terms and conditions will be at your own risk.

Sincerely,


William J. Day, Jr.
Director, Atlanta Region

Enclosures

Form ED-508
(Rev. 3/89)

U.S. DEPARTMENT OF COMMERCE
ECONOMIC DEVELOPMENT ADMINISTRATION

ATTACHMENT NO. 1

PUBLIC WORKS PROJECT COST CLASSIFICATIONS

EDA Award No. 04-01-04239 State: Kentucky County: Graves

<u>Cost Classification</u>	<u>Proposed</u>	<u>Approved</u>
Administrative and legal expenses	\$ 13,182	\$ 13,182
Land, structures, and rights-of-way appraisals, etc.	500	500
Relocation expenses and payments (Cost incidental to transfer of titles)	500	500
Architectural and engineering fees	100,000	75,000
Other architectural and engineering fees		5,000
Project inspection fees and audit		20,000
Demolition and removal		
Construction	767,400	767,400
Equipment		
Contingencies	45,418	45,418
TOTAL PROJECT COSTS	\$927,000	\$927,000

Remarks: